

INTERIM REPORT **2015**

New Starting Point
New Journey



中国中车股份有限公司
CRRC CORPORATION LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock code: 1766

IMPORTANT

- I. The board of directors (the “Board”) and the supervisory committee (the “Supervisory Committee”) of the Company and its director(s) (the “Director(s)”), supervisor(s) (the “Supervisor(s)”) and senior management (the “Senior Management”) hereby warrant the truthfulness, accuracy and completeness of the contents of this interim report and that there is no false representation, misleading statement or material omission in this report, for which they will assume, severally and jointly, legal responsibility.
- II. This interim report is considered and approved by the fourth meeting of the first session of the Board and all the Directors attended the meeting of the Board.
- III. The interim condensed consolidated financial report of the Company was unaudited.
- IV. Cui Dianguo, Chairman of the Company, Zhan Yanjing, the Chief Financial Officer and Wang Jian, the head of accounting department (person in charge of accounting affairs), hereby state to guarantee the truthfulness, accuracy and completeness of the interim condensed consolidated financial report in the interim report.
- V. Proposal on profit distribution or transfer of capital reserve fund during the reporting period considered and approved by the Board

The 2014 annual profit distribution plan of the Company is as follows: the Company proposes to distribute to all shareholders a cash dividend of RMB 0.12 per share (including tax) based on the total share capital of 27,288,758,333 shares as at 30 June 2015. This profit distribution proposal has been considered and approved by the fourth meeting of the first session of the Board, subject to the consideration and approval at the general meeting.

VI. Risk disclaimer in the forward-looking statements

Forward-looking statements involved in this interim report, including future plans and development strategies, do not constitute a substantive commitment to investors by the Company. Investors should be aware of such investment risks.

- VII. There are no appropriation of funds by the substantial shareholders and its associates for non-operating purposes.
- VIII. There was no provision of guarantee by the Company in favour of any external party in violation of the prescribed decision-making procedures.



CONTENTS

2	Company Information
4	Results Highlights
5	Report of the Directors
23	Significant Events
38	Change in Shares and Particulars of Shareholders
45	Directors, Supervisors and Senior Management
48	Financial Report
94	Definitions

COMPANY INFORMATION

1.	Name of Company in Chinese	中國中車股份有限公司
	Short name of Company in Chinese	中國中車
	Name of Company in English	CRR Corporation Limited
	Short name of Company in English	CRR
	Legal representative of Company	Cui Dianguo
2.	Secretary to the Board	Securities Affairs Representative
	Name	Ding Youjun
	Contact address	No. 16, Central West Fourth Ring Road, Haidian District, Beijing
	Telephone	010-51862188
	Facsimile	010-63984785
	E-mail	crrc@crrcgc.cc
3.	Registered address of the Company	No. 16, Central West Fourth Ring Road, Haidian District, Beijing
	Postal code of registered address of the Company	100036
	Business address of the Company	No. 16, Central West Fourth Ring Road, Haidian District, Beijing
	Postal code of business address of the Company	100036
	Company website	www.crrcgc.cc
	E-mail	crrc@crrcgc.cc
4.	Newspapers designated for A-share information disclosure by the Company	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
	Website designated by the CSRC for publication of A-share interim report	www.sse.com.cn
	Website designated by the Stock Exchange for publication of H-share interim report	www.hkex.com.hk
	Place where interim report of the Company is available for inspection	the Board office at No. 16, Central West Fourth Ring Road, Haidian District, Beijing

COMPANY INFORMATION

5.	Type of shares	Place of listing of the shares	Stock abbreviation	Stock Code	Stock abbreviation before change
	A shares	SSE	中國中車	601766	中國南車
	H shares	HKSE	CRRC	1766	CSR
6.	Date of registration change		1 June 2015		
	Name of registration after change		CRRC Corporation Limited		
	Legal representative after change		Cui Dianguo		
	Registered capital after change		RMB 27,288,758,333		
7.	Name of domestic accounting firm engaged by the Company:		Deloitte Touche Tohmatsu CPA LLP		
	Business address of accounting firm of domestic accounting firm engaged by the Company:		8 Floor, Tower W2, The Towers, Oriental Plaza, No.1 East Chang An Avenue, Beijing, China		
	Name of overseas accounting firm engaged by the Company:		Deloitte Touche Tohmatsu		
	Business address of overseas accounting firm engaged by the Company:		35 Floor, One Pacific Place, 88 Queensway Hong Kong		
8.	Joint company secretary		Xie Jilong, Wong Kai Yan, Thomas		
9.	Authorized representative		Xi Guohua, Wong Kai Yan, Thomas		
10.	Legal adviser		Baker & McKenzie		
	As to Hong Kong law		14th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong		
	As to the PRC law		Beijing Jiayuan Law Firm		
	Principal place of business in Hong Kong		F408 Ocean Plaza, 158 Fuxingmennei Avenue, Beijing, PRC		
11.			Unit H, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong		
12.	Domestic registrar and transfer office		China Securities Depository and Clearing Corporation Limited Shanghai Branch		
	Correspondence address		36/F, China Insurance Building, 166 Lujiazui East Avenue, Pudong New District, Shanghai		
13.	Hong Kong registrar and transfer office		Computershare Hong Kong Investors Services Limited		
	Correspondence address		17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong		

RESULTS HIGHLIGHTS

From January to June 2015, the Company achieved revenue of RMB91,816 million, representing a year-on-year growth of 6.26%, profit after tax of RMB5,675 million, representing a year-on-year growth of 12.97%, profit attributable to the owner of the Company of RMB4,699 million, representing a year-on-year growth of 6.85%, and basic earnings per share of RMB17 cents.

THE KEY FINANCIAL DATA AND INDICATORS ARE SET OUT IN THE BELOW TABLE

Currency: RMB

Item	From January to June 2015 Amount (RMB'000)	From January to June 2014 Amount (RMB'000)	Growth rate %
Revenue	91,816,294	86,410,184	6.26
Profit after tax	5,674,836	5,023,204	12.97
Profit attributable to owners of the Company	4,698,880	4,397,565	6.85
Basic earnings per share (RMB/share)	0.17	0.17	—

Currency: RMB

Item	30 June 2015 Amount (RMB'000)	31 December 2014 Amount (RMB'000)	Growth rate %
Total assets	307,467,187	298,677,184	2.94
Total liabilities	198,548,197	196,574,867	1.00
Total equity	108,918,990	102,102,317	6.68
Including: Equity attributable to owners of the Company	94,002,497	89,273,812	5.30
Shareholders' interest per share (RMB/share)	3.44	3.27	5.20

REPORT OF THE DIRECTORS

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

During the first half of 2015, the Company made every effort to guarantee the growth, drive the reform and pursue development to achieve new progress in all respects by proactively adapting to the new economic development normality, and actively responding to the great challenges brought about by a combination of production and operation, and reorganization and merger. The Company achieved revenue of RMB91,816 million, representing an increase of RMB5,406 million or 6.26% as compared to the corresponding period last year, and profit attributable to the shareholders of RMB4,699 million, representing an increase of RMB301 million or 6.85% as compared to the corresponding period last year.





REPORT OF THE DIRECTORS

(i) Analysis of core businesses

1. Analysis of changes in relevant items in the financial statements

Item	From January to June 2015 Amount (RMB'000)	From January to June 2014 Amount (RMB'000)	Growth rate %
Revenue	91,816,294	86,410,184	6.26
Cost of sales	72,309,769	69,762,154	3.65
Selling and distribution expenses	3,372,206	2,435,710	38.45
Administrative expenses	9,532,972	7,742,334	23.13
Financial costs	584,784	957,346	-38.92
Net cash flow from operating activities	-10,780,214	-16,235,395	—
Net cash flow from investing activities	2,274,373	-6,143,687	—
Net cash flow from financing activities	-1,441,329	29,061,733	—
Research and development expenses	3,771,514	3,195,798	18.01

Revenue achieved an increase of 6.26% as compared to the corresponding period last year, mainly due to the increase in the operating income in line with the increase in the deliveries of key products during this period.

Cost of sales achieved an increase of 3.65% as compared to the corresponding period last year, mainly due to the fact that the cost of sales increased in line with the increase in the revenue, meanwhile cost control played a positive role as compared to the corresponding period last year and the increase in the cost of sales was less than the increase in the revenue, which were affected by the difference in product structure.

Selling and distribution expenses achieved an increase of 38.45% as compared to the corresponding period last year, mainly due to relatively higher percentage of selling expenses resulted from enlargement of consolidation scope by the Company during the reporting period, the increase in the overseas revenue, resulting in the increase in the overseas selling expenses and transportation costs, and the increase in the selling expenses.



REPORT OF THE DIRECTORS

Administrative expenses achieved an increase of 23.13% as compared to the corresponding period last year, mainly due to the increase in the research and development expenses, and the additional salary costs.

Finance costs achieved a decline of 38.92% as compared to the corresponding period last year, mainly due to the increase in the net operating cash inflow during the first half, the decrease in the relevant interest expenses on the interest bearing liabilities such as short-term financing bonds and borrowings during the reporting period, as well as the decrease in financing costs and the increase in exchange gains as compared to the corresponding period last year resulting in the decrease in the finance costs.

The net cash outflow from operating activities was RMB10,780 million, representing a decrease of RMB5,455 million in the net outflow as compared with the corresponding period of the previous year, mainly because, during the reporting period, the increase in the amount of cash received from sales of goods and rendering of services of the Company as compared with the corresponding period of the previous year was smaller than the decrease in the amount of cash received from the cash paid for goods and services as compared with the corresponding period of the previous year.

The net cash inflow from investment activities was RMB2,274 million, as compared to a net outflow of RMB6,144 million in the corresponding period of the previous year, which was primarily due to an increase in some short-term investments recovered by the Company during the reporting period.

The net cash outflow from financing activities was RMB1,441 million, as compared to a net inflow of RMB29,062 million in the corresponding period of the previous year, which was primarily due to an increase in the net cash inflow from operating activities the previous year and a decrease in interest bearing liabilities at the end of the reporting period as compared with the beginning of the reporting period.

Research and development expenses were RMB3,772 million, representing an increase of 18.01% as compared with the corresponding period of the previous year, which was primarily due to an increase in development efforts invested in the products such as China's standard railway Mus as well as the fundamental, forward-looking and core technologies during the reporting period.

2. Others

(1) Detailed explanations on material changes in composition and sources of the Company's profit

During the reporting period, there's no material change in composition and sources of the Company's profit.

(2) Analysis on implementation progress of various financing and material asset reorganization events

- ① Corporate bonds: On 22 April 2013, CSR issued two kinds of corporate bonds to the public with an aggregate amount of RMB3,000 million, namely five-year bonds and ten-year bonds, of which, 5-year bonds of RMB1,500 million were issued with an interest rate of 4.7%, maturing on 22 April 2018 and 10-year bonds of RMB1,500 million were issued with an interest rate of 5%, maturing on 22 April 2023.



REPORT OF THE DIRECTORS

- ② Please refer to “the Special Report of CRRC Corporation Limited on Deposit and Actual Use of A Share Proceeds for the First Half of 2015” (《中國中車股份有限公司2015年上半年A股募集資金存放與實際使用情況的專項報告》), an interim announcement dated 28 August 2015 published on the SSE, and also the section headed “Report of the Directors - (V) Analysis on Investment - 3. Use of proceeds”, for details of implementation progress of the Company’s equity financing projects.
- ③ On 29 and 30 December 2014, CSR and CNR held a board meeting respectively to approve their merger proposal and signed the “Merger Agreement between CSR Corporation Limited and China CNR Corporation Limited”. On 20 January 2015, CSR and CNR held a board meeting respectively to consider and pass the Proposal on Draft Report for the Merger of CSR Corporation Limited and China CNR Corporation Limited and its summary (《關於<中國南車股份有限公司、中國北車股份有限公司合併報告書(草案)>及其摘要的議案》) and other merger-related proposals. In early March 2015, the merger between CSR and CNR (hereinafter referred to as the “Merger”) was approved by the SASAC and they have obtained all necessary overseas anti-trust approvals in the applicable jurisdictions where approval is legally required before completion of the Merger. On 9 March 2015, CSR and CNR held 2015 First Extraordinary General Meeting, 2015 First A Shareholders Class Meeting and 2015 First H Shareholders Class Meeting, respectively, at which the merger-related proposals were passed. On 3 April 2015, the Anti-Trust Bureau of the Ministry of Commerce issued the Notification of Examination Results (Shang Fan Long Shen Cha Han [2015] No. 19) (《審查決定通知》(商反壟審查函[2015]第 19 號)) that clearance of anti-trust examination has been obtained for the Merger. On 22 April 2015, the CSRC issued the “Official Approval about CSR Corporation Limited Global Offering” (Zheng Jian Xu Ke (2015) No. 695) (《關於核准中國南車股份有限公司增發境外上市外資股的批復》(證監許可[2015]695號)) to approve the matters in relation to the issuance of additional H Shares by CSR involved in the Merger. On 24 April 2015, the CSRC issued the “Approval for Absorption and Merger by CSR Corporation Limited of China CNR Corporation Limited (Zheng Jian Xu Ke [2015] No. 748) (《關於核准中國南車股份有限公司吸收合併中國北車股份有限公司的批復》(證監許可[2015]748號)) to approval the Merger. On 18 May 2015, CSR and CNR held a general meeting respectively to elect the directors and supervisors of the post-merger new company and to consider and approve the Articles of Association (draft), the Rules of Procedure for General Meetings (draft), the Rules of Procedure for the Board of Directors (draft) and the Rules of Procedure for the Supervisory Committee (draft) of the post-merger new company. On 20 May 2015, A shares and H shares of CNR were delisted from SSE and HKSE and shareholders of CNR exchanged A shares and H shares held by them for those of CSR at the ratio of 1:1.10 on the same date. On 26 May 2015, the exchange of H shares involved in the Merger was completed with the issuance of additional 2,347,066,040 H shares by CSR. On 28 May 2015, the exchange of A shares involved in the Merger was completed with the issuance of additional 11,138,692,293 A shares by CSR. On 1 June 2015, CSR completed the registration of change with competent industry and commerce authorities and was renamed as “CRRC Corporation Limited (中國中車股份有限公司)”. On 8 June 2015, CRRC resumed the trading of its shares in Shanghai and Hong Kong.

Details of the Merger are disclosed in the related announcements published on the websites of SSE and HKSE.



REPORT OF THE DIRECTORS

(3) Progress of business plan

In the first half of 2015, the Company actively implemented its business plan for the year and continuously facilitated all tasks. Accordingly, the operating performance of the Company was outstanding. The revenue of the Company amounted to RMB91,816 million, representing an increase of 6.26% over the corresponding period of the previous year; while the net profit attributable to owners of the parent amounted to RMB4,699 million, representing an increase of 6.85% over the corresponding period of the previous year.

In the second half of 2015, adhering to the overall job requirements and business targets of 2015, the Company will proactively build the operating model of “strategic dominated, business led, management support, globally oriented” to increase its operation quality and profitability. Aiming at achieving the targets of operation, transformation and upgrading set for the year, the Company will complete the operation tasks of the year. It will focus on the implementation of the following measures:

- ① To explore the market with full efforts and ensure steady growth in business. With reliance on thoroughly implementing the theme activities of “cost decreasing and benefit increasing, quality improvement and upgrading”, the Company will deploy much more efforts on various aspects of exploring the market, cost decreasing and benefit increasing, quality improvement and upgrading, and strive to fight the battle of ensuring growth. The Company will concentrate its efforts on exploring the market, management and upgrading and cost decreasing and benefit increasing in each business segment, and the Company will subdivide market, identify orientation and strive to create new pillar industry around the three direction of transportation equipment, energy equipment and new-type urbanization.
- ② To constantly strengthen goal leading and coordinate development planning. The Company will grasp exactly the trends in domestic and international economic development, analyze deeply the global competitive environment and proceed to formulate the “Thirteenth Five-Year” development plan. The Company will implement national innovation driven development strategy, tightly integration of implementation for strategies such as “One Belt and One Road” and interconnection with surrounding countries, undertake the significant mission of prospering national high-end equipment manufacturing industry, become active participant, strong promoter and innovation pacesetter of “PRC Manufacturing 2025” and “Internet +”.



REPORT OF THE DIRECTORS

- ③ To explore new operation model and accelerate transformation and upgrading. The Company will continue to improve its business-driven management model, emphasize the importance of market-oriented development and determine the allocation of resources based on market demand. The Company will energetically promote the systematically integrated outsourcing model, take full advantage of social resources and make innovations in development model to enhance its overall strength. The Company will accelerate service transformation by proactively promoting a transition model of product plus service, primarily focusing on full life-cycle services, the integration of its industrial and financial interests and the consolidation of informatization and industrialization. The synaesthetic model of internal development will be actively expanded to further promote vertical integration along the industrial chain and horizontal interaction among group members, so as to enhance the holistic competitive advantage and achieve intensive development. Driven by the impetus from internal markets, the Company will speed up the pace of making constant breakthroughs in core technology and critical system. To achieve a complement in advantages, the Company will increase purchases of critical systems and components. Horizontally, enterprises of similar types will be encouraged to share their resources, including R&D power, test equipment and manufacturing and processing capabilities to eliminate repeated construction and development.
- ④ To vigorously promote technical innovation and lead the technological development direction. The Company will insist on market orientation, open innovation and collaborative innovation and focus on enhancing capability of independent innovation and establishing advantages in technology, product and brand to constantly advance the transformation of “made in China” towards “created in China” and “led by China” with the goal of world advanced and industry leading according to the principal of “strategy support, ability enhancement, platform perfection and system optimization”, which is centered on two key cores of future development and “going global” strategy.
- ⑤ To accelerate the business layout globally and focus on building China’s brand. The Company will vigorously develop the international market and continuously pay close attention to and keep itself informed of the implementation of strategic plans such as “One Belt and One Road” (一帶一路), “interconnection with neighbouring countries” as well as the “going global” initiative of high-speed railways, participate in international productivity cooperation and step up its effort on “joint overseas expansion”. The Company will also focus on building China’s brand and take brand strategy as a key task. It will allocate resources globally, endeavor to cultivate an international talent team that is familiar with and master the international market rules and possesses multinational operational management skills and risk control capacities, and proactively promote overseas investment and M&As to develop into a multinational corporation and a global enterprise.
- ⑥ To constantly improve the quality of products and service level. The Company will firmly establish a sense of product quality and safety first and continue to promote quality competence and customer satisfaction.

(4) Staff of the Company and the related remuneration and training

As at the end of the reporting period, there were no significant changes to the numbers, compositions and remuneration of and trainings for the Company’s staff.

(ii) Analysis of operation by industry, products or geographical locations

1. Core businesses

Business	Revenue (RMB'000)	Cost of sales (RMB'000)	Gross profit margin %	Increase/ (decrease) in revenue as compared to the corresponding period of the previous year %	Increase/ (decrease) in cost of sales as compared to the corresponding period of the previous year %	Increase/ (decrease) in gross profit margin as compared to the corresponding period of the previous year %
Railway equipment	47,360,047	35,617,401	24.79	-1.72	-3.38	1.29
Rapid transit vehicles and urban infrastructure	9,307,784	7,869,974	15.45	9.45	6.45	2.38
New businesses	20,941,545	15,741,956	24.83	49.34	46.45	1.48
Modern services	14,206,918	13,080,438	7.93	-9.47	-11.36	1.96
Total	91,816,294	72,309,769	21.25	6.26	3.65	1.98

Revenue from railway equipment business declined by 1.72% over the corresponding period of the previous year. Cost of sales decreased by 3.38% over the corresponding period of the previous year, primarily due to a change in product structure and an enhancement of cost control for the period.

Revenue from rapid transit vehicles and urban infrastructure business increased by 9.45% over the corresponding period of the previous year, primarily due to the delivery of vehicles for a number of transit lines for the period. Cost of sales increased by 6.45% over the corresponding period of the previous year, which was less than the increase in revenue, primarily due to a change in product structure and an enhancement of cost control for the period.

Revenue from new businesses increased by 49.34% over the corresponding period of the previous year, primarily attributable to an increase in revenue from generators and automobile equipment. Cost of new businesses increased by 46.45% over the corresponding period of the previous year, which was slightly lower than the increase in revenue and remained stable on the whole.

Revenue from modern services decreased by 9.47% over the corresponding period of the previous year, primarily due to a decrease in revenue from logistics trading. Cost of sales decreased by 11.36% over the corresponding period of the previous year, which remain stable on the whole but slightly lower than the decrease in revenue.



REPORT OF THE DIRECTORS

The Company's revenue increased by 6.26% over the corresponding period of the previous year, of which railway equipment business, rapid transit vehicles and urban infrastructure business, new businesses and modern services accounted for 51.58%, 10.14%, 22.81% and 15.47% of total revenue, respectively. Among railway equipment business, revenue from locomotives, passenger carriage, MUs and freight wagon amounted to RMB7,149 million, RMB2,394 million, RMB33,376 million and RMB4,441 million, respectively.

2. Breakdown of the core businesses by regions

Region	January to June 2015		January to June 2014		Growth rate
	Amount (RMB'000)	Percentage %	Amount (RMB'000)	Percentage %	
Mainland China	80,718,680	87.91	79,526,716	92.03	1.50
Other countries or regions	11,097,614	12.09	6,883,468	7.97	61.22

During the reporting period, the Company's revenue from Chinese mainland increased by 1.50% whereas revenue from other countries or regions increased by 61.22%. The increase in revenue from other countries or regions was mainly due to the active and effective business expansion of the Company and the increase in product delivery during the reporting period.

(iii) DEBT STRUCTURE, LIQUIDITY AND CASH FLOW

1. Capital structure

As at 30 June 2015, the gearing ratio of the Company decreased to 64.58% from 65.82% at the beginning of the year.

2. Significant capital expenses and capital commitments

(1) Significant capital expenses

From January to June 2015, the significant capital expenses of the Company are set out in the following table:

Item	January to June 2015 Amount (RMB'000)	January to June 2014 Amount (RMB'000)
Property, plant and equipment	2,998,861	3,758,000
Prepaid land lease payments	849,347	263,000
Total capital expenses	3,848,208	4,021,000

(2) Capital commitments

As at 30 June 2015, the Group had capital commitments of RMB3,835 million contracted for but not yet incurred, which would be mainly used for properties, plants and equipment and prepaid land lease payments.



REPORT OF THE DIRECTORS

3. Particulars of contingent liabilities of the Company

Save as the guarantees provided by the Company as stated in the section headed “Significant Events” in this Interim Report, the Company had no other material contingent liabilities.

4. Particulars of pledge of assets of the Company

As at the end of the reporting period, the following assets of the Company with a total book value of RMB5,150 million were charged to obtain bank loans and other banking facilities. Such assets included cash and cash equivalents of RMB4,342 million, property, plant and equipment of RMB51 million, bills receivable of RMB721 million and other assets of RMB36 million.

5. Borrowings, Corporate Bonds and Notes

As at 30 June 2015, the Group had total borrowings of approximately RMB40,149 million, which increased by 1.41% from RMB39,591 million as at 31 December 2014, mainly due to the corporate demand for funds in order to ensure the payment of the follow-up orders and the progression of production cycle in light of the increase in accounts receivable.

As at 30 June 2015, out of the total borrowings of the Group, RMB32,607 million was denominated in Renminbi, RMB4,707 million was denominated in US dollar, and RMB2,835 million was denominated in Euro.

The Group’s long-term interest-bearing borrowings and short-term interest-bearing borrowings as at 30 June 2015 were RMB13,129 million and RMB27,020 million, respectively. The following table sets forth the maturity profile of the loans repayable of the Group as at 31 December 2014 and 30 June 2015:

	30 June 2015 Amount RMB'000	31 December 2014 Amount RMB'000
Within one year, inclusive	27,020,257	27,375,105
One to two years	1,845,119	737,309
Two to five years	9,728,606	8,453,790
Over five years	1,554,763	3,024,865
Total	40,148,745	39,591,069

As at 30 June 2015, the Group’s total interest-bearing bank and other borrowings at floating interest rate amounted to RMB8,081 million, as compared to RMB10,532 million as at 31 December 2014.

As at 30 June 2015, the Group issued short-term inter-bank corporate bonds with an aggregate principal amount of RMB6,992 million, which were interest-bearing at fixed interest rate, as well as medium-term notes with an aggregate principal amount of RMB7,679 million, which were interest-bearing at fixed interest rate.

6. Cash Flow

As at 30 June 2015, the Group had cash and cash equivalents of approximately RMB27,041 million, out of which RMB20,260 million was denominated in Renminbi, RMB2,592 million was denominated in US dollar, and RMB418 million was denominated in Euro.



REPORT OF THE DIRECTORS

(iv) Analysis on core competitiveness

Rolling stock industry is a strategic new business determined by the government of the People's Republic of China ("the PRC" or "the State"). The Party and State leaders have attached great importance and concerns to the rolling stock industry, and took the initiative to promote the high-speed railway technology and equipment of China toward the world on various occasions. Being a convenient, fast, environmentally friendly product, rolling stock, especially high-speed railway equipment, is becoming increasingly well-received around the world. High-end rolling stock industry is faced with a historical opportunity for development.

CRRC is a leading enterprise in the rolling stock industry in China and a leader of the world's rolling stock manufacturing industry with the leading position in the aspects of large-scale operations, core technology research and development, industrialization ability and production process in the international market. Meanwhile, CRRC takes its advantages of core technology in rolling stock to actively expand into such national strategic emerging industries as new energy, new materials, e.g. new energy vehicles, wind power equipment.

The continual breakthrough in technology and innovation have provided strong support and guided the rapid development of CRRC. China's standard railway MUs with a speed of 350 km per hour completed trial production, the autonomous inter-city MUs finished the using assessment experiment. The first meter-gauge internal combustion MU trains exported to Argentina was successfully rolled out. The R&D efforts of such projects as passenger diesel locomotive with a speed of 160 km per hour, eight-axis passenger electric locomotive, and plateau diesel locomotive are progressing smoothly. Coal hopper wagon with a maximum load of 100t, representing the world's advanced level, is under trial manufacturing. New railroad rolling stock products, including aluminum alloy open wagon with the axle load of 30t, are under comprehensive development. SRS aerial vehicles with highway and railway dual-purpose successfully completed CE certification and acquired EU entry qualifications. Remarkable results have been achieved in the development of a series of core technologies such as high-powered IGBT chip, railway passenger information service system and brake system. National Engineering Laboratory on System Integration of High-speed Trains passed the national qualification accreditation. The Company strengthened the construction of overseas R&D center, built "Sino-US Institute of Rail Transit" in cooperation with domestic and international famous colleges and universities, and our technological innovation capabilities continued to improve.

Leading manufacturing scale in the world. Through continuous development of its innovation capabilities and reform of production technology, the Company has globally leading manufacturing and maintenance service capabilities in MUs, urban rail vehicles, electric locomotives, diesel locomotives, railway cars and trucks. Such manufacturing capacity can not only meet the volatile demand in the domestic market but also rapidly respond to the demand in global rolling stock market. The Group has met the international leading standards in respect of its production technology, production facilities and measuring and testing instruments.



REPORT OF THE DIRECTORS

The continuous optimization of resource allocation has driven the shifting of the resources of the Company to the strategic emerging industries and the high end of the value chain. Following the development trend of the railway reform and taking into consideration the development strategy of the Company, the Company has further adjusted and optimized the capacity layout of the manufacturing and refurbishment of locomotives, freight wagons and MUs business segment. Through cooperation with PRC government, joint ventures and value chain integration, the Company has constructed the strategic partnership system, continuously optimized the business layout of urban rapid transit transportation business segment, actively promoted the development of such emerging industries as new energy, new materials, e.g. new energy vehicles, wind power equipment, and accelerated industrial restructuring, transformation and enhancement.

The Company has accelerated its international business layout and improved its international competitiveness. CRRC's project in Boston, the US has been moving forward steadily; the new rolling stock manufacturing base jointly built in Turkey has been put into operation; The construction of ASEAN manufacturing center we invested in Malaysia has been completed, which becomes not only the model of economic cooperation between the PRC and Malaysia, but also the highlight of the economic and trade cooperation between China and ASEAN and the first demonstration base under "One Belt and One Road" strategy. CRRC also acquired SMD Limited, a UK deep-sea equipment company, and has been actively expanding into marine engineering equipment field. The first batch internal combustion MU exported to Argentina has been successfully delivered, the Group made continuous developments in overseas markets.

(V) Analysis on Investment

1. General analysis of external investment in equity

As of June 30, 2015, the Company's long-term investment in equity was RMB3,526 million, representing a decrease of RMB1,288 million or 26.74% over the beginning of the year, mainly due to the consolidation by CSR Sifang Ltd., a wholly-owned subsidiary of the Company, of BST Company, a former joint venture, into its consolidated scope.

(1) Investment in Securities

During the Reporting Period, the Company has no investments in securities.



REPORT OF THE DIRECTORS

(2) Equity interests in other listed companies held by the Company

Unit: '000 Currency: HKD

Stock Code	Stock Short Name	Initial Investment Amount	Shareholding percentage at the beginning of the Reporting Period (%)	Shareholding percentage at the end of the Reporting Period (%)	Invested Carrying Amount at the End of the Reporting Period	Gain or Loss Occurred during the Reporting Period	Changes in Owner's Equity during the Reporting Period	Accounting Item	Source of Equity Interest
00958. HK	HN Renewables	—	Less than 1%	—	—	14,544	228	Available-for-sale financial assets	Purchase
01829. HK	CMEC	130,736	Less than 1%	Less than 1%	199,252	118,173	40,561	Available-for-sale financial assets	Purchase
01599. HK	BUCG	70,060	Less than 1%	Less than 1%	165,456	105,225	46,355	Available-for-sale financial assets	Purchase
01317. HK	Maple Leaf Educational Systems	—	Less than 1%	—	—	-123	469	Available-for-sale financial assets	Purchase
01478. HK	Q-Tech Corporation	30,267	Less than 1%	Less than 1%	29,105	352	5,700	Available-for-sale financial assets	Purchase
00580. HK	Sun. King Power Electronics	35,309	3.75	3.75	78,336	—	40,448	Available-for-sale financial assets	Purchase
06869. HK	YOFC	117,498	Less than 1%	Less than 1%	161,188	—	55,723	Available-for-sale financial assets	Purchase
01816. HK	CGN Power	144,213	Less than 1%	Less than 1%	166,460	1,898	21,797	Available-for-sale financial assets	Purchase
00816. HK	Huadian Fuxin	193,436	1.13	1.21	376,105	—	5,295	Available-for-sale financial assets	Purchase
03606. HK	Fuyao Glass	7,840	—	Less than 1%	8,769	—	929	Available-for-sale financial assets	Purchase
01776. HK	GF SECURITIES	391,667	—	Less than 1%	410,182	—	18,515	Available-for-sale financial assets	Purchase
00656. HK	Fosun International	305,441	—	Less than 1%	273,600	—	-31,841	Available-for-sale financial assets	Purchase
06886. HK	Huatai Securities	14,103	—	Less than 1%	12,330	—	-1,773	Available-for-sale financial assets	Purchase
03396. HK	Legend Holdings	198,875	—	Less than 1%	198,586	—	-289	Available-for-sale financial assets	Purchase
02200. HK	Hosa International	40,600	—	Less than 1%	38,900	—	-1,700	Available-for-sale financial assets	Purchase
01530. HK	3SBio Inc.	4,693	—	Less than 1%	4,968	—	275	Available-for-sale financial assets	Purchase
Total		1,684,738	/	/	2,123,237	240,069	200,692	/	/

REPORT OF THE DIRECTORS

Unit: '000 Currency: RMB

Stock Code	Stock Short Name	Initial Investment Amount	Shareholding percentage at the beginning of the Reporting Period (%)	Shareholding percentage at the end of the Reporting Period (%)	Invested Carrying Amount at the End of the Reporting Period	Gain or Loss Occurred during the Reporting Period	Changes in Owner's Equity during the Reporting Period	Accounting Item	Source of Equity Interest
000065	Norinco International	120,000	1.14	1.14	115,439	—	-4,561	Available-for-sale financial assets	Purchase
601328	Bank of Communications	752	Less than 1%	Less than 1%	4,241	—	741		
Total		120,752	/	/	119,680	—	-3,820	/	/

(3) Equity interests in financial enterprises held by the Company

Name of Institution	Initial Investment Amount (RMB'000)	Shareholding percentage at the beginning of the Reporting Period (%)	Shareholding percentage at the end of the Reporting Period (%)	Carrying Amount at the End of the Reporting Period (RMB'000)	Gain or Loss Occurred during the Reporting Period (RMB'000)	Changes in Owner's Equity during the Reporting Period (RMB'000)	Accounting Item	Source of Equity Interest
Huarong Xiangjiang Bank	1,006	Less than 1%	Less than 1%	786	—	—	Available-for-sale financial assets	Purchase
Bank of Jiangsu	74	Less than 1%	Less than 1%	74	—	—	Available-for-sale financial assets	Purchase
Guangzhou Metro Small-Loan Co., Ltd. (廣州地鐵小額貸款有限公司)	30,000	10.00	10.00	31,124	223	—	Long-term equity investment — by equity method	Purchase
Donghai Securities	19,484	1.20	1.20	19,484	1,200	—	Available-for-sale financial assets	Purchase
Total	50,564	/	/	51,468	1,423	—	/	/



REPORT OF THE DIRECTORS

2. Entrusted wealth management and investment in derivatives with non-financial corporations

(1) Entrusted wealth management

Unit: '000 Currency: RMB

Name of Partner	Entrusted Wealth Management Product	Entrusted Wealth Management Amount	Starting Date of Entrusted Wealth Management	Ending Date of Entrusted Wealth Management	Method of Reward Determination	Anticipated Income of Entrusted Wealth Management	Amount of Actually Retracted Principal of Entrusted Wealth Management	Actually Gained Income of Entrusted Wealth Management	Does the Entrusted Wealth Pass the Legal Procedure?	Total Amount of Depreciation Reserves of Entrusted Wealth Management	Is Entrusted Wealth Management an Associated Transaction?	Whether any Lawsuit is Involved?	Source of Fund, whether it is raised funds	Related Party Relationship
Industrial and Commercial Bank of China Beijing Huichengmen Sub-branch	Non-breakeven floating profit	200,000	2014-12-31	2015-4-4	Payment of due interest and principal	—	200,000	2,421	Yes	—	No	No	No	—
Agricultural Bank of China Beijing Branch Wanshou Road Sub-branch	Breakeven guaranteed profit	200,000	2014-12-31	2015-4-1	Payment of due interest and principal	—	200,000	2,071	Yes	—	No	No	No	—
Bank of Communications Beijing Branch Shijicheng Sub-branch	Non-breakeven floating profit	300,000	2014-12-31	2015-4-1	Payment of due interest and principal	—	300,000	3,534	Yes	—	No	No	No	—
Shanghai Pudong Development Bank Beijing Branch	Non-breakeven fixed profit	200,000	2014-12-30	2015-3-31	Payment of due interest and principal	—	200,000	2,250	Yes	—	No	No	No	—
Bank of Changsha Zhuzhou Branch	Breakeven guaranteed profit	100,000	2014-11-28	2015-3-3	Payment of due interest and principal	—	100,000	1,184	Yes	—	No	No	No	—
Bank of China Zhuzhou Branch	Breakeven guaranteed profit	100,000	2014-11-27	2015-1-5	Payment of due interest and principal	—	100,000	448	Yes	—	No	No	No	—
China Guangfa Bank Zhuzhou Branch	Breakeven guaranteed profit	100,000	2014-11-28	2015-2-27	Payment of due interest and principal	—	100,000	1,196	Yes	—	No	No	No	—
Bank of China Limited	Breakeven guaranteed profit	200,000	2014-12-9	2015-1-8	Payment of due interest and principal	—	200,000	608	Yes	—	No	No	No	—
Zhuzhou Hi-Tech Zone Sub-branch of Agricultural Bank of China	Breakeven guaranteed profit	200,000	2014-12-9	2015-3-10	Payment of due interest and principal	—	200,000	2,071	Yes	—	No	No	No	—
China Guangfa Bank Zhuzhou Branch	Breakeven guaranteed profit	200,000	2014-12-9	2015-6-9	Payment of due interest and principal	—	200,000	4,986	Yes	—	No	No	No	—
Shanghai Pudong Development Bank Zhuzhou Branch	Breakeven guaranteed profit	200,000	2014-12-9	2015-6-8	Payment of due interest and principal	—	200,000	4,537	Yes	—	No	No	No	—
China Construction Bank Zhuzhou Branch	Breakeven floating profit	200,000	2014-12-9	2015-3-13	Payment of due interest and principal	—	200,000	2,266	Yes	—	No	No	No	—
CITIC Bank Branch in Zhuzhou	Breakeven floating profit	200,000	2014-12-11	2015-3-13	Payment of due interest and principal	—	200,000	2,964	Yes	—	No	No	No	—
Bank of Changsha Zhuzhou Branch	Breakeven guaranteed profit	100,000	2014-12-18	2015-1-22	Payment of due interest and principal	—	100,000	431	Yes	—	No	No	No	—
Everbright Bank Zhuzhou Branch	Breakeven floating profit	200,000	2014-12-23	2015-3-24	Payment of due interest and principal	—	200,000	2,443	Yes	—	No	No	No	—
Industrial Bank Zhuzhou Sub-branch	Breakeven floating profit	140,000	2014-12-31	2015-1-7	Payment of due interest and principal	—	140,000	94	Yes	—	No	No	No	—
CITIC Bank Branch in Zhuzhou	Breakeven floating profit	300,000	2014-12-31	2015-1-7	Payment of due interest and principal	—	300,000	184	Yes	—	No	No	No	—
Everbright Bank Zhuzhou Branch	Breakeven floating profit	200,000	2014-12-31	2015-3-31	Payment of due interest and principal	—	200,000	2,416	Yes	—	No	No	No	—
Bank of Changsha Zhuzhou Branch	Breakeven guaranteed profit	100,000	2014-12-30	2015-2-4	Payment of due interest and principal	—	100,000	444	Yes	—	No	No	No	—

REPORT OF THE DIRECTORS

Name of Partner	Entrusted Wealth Management Product	Entrusted Wealth Management Amount	Starting Date of Entrusted Wealth Management	Ending Date of Entrusted Wealth Management	Method of Reward Determination	Anticipated Income of Entrusted Wealth Management	Amount of Actually Retracted Principal of Entrusted Wealth Management	Actually Gained Income of Entrusted Wealth Management	Does the Entrusted Wealth Management Pass the Legal Procedure?	Total Amount of Depreciation Reserves of Entrusted Wealth Management	Is Entrusted Wealth Management an Associated Transaction?	Whether any Lawsuit is Involved?	Source of Fund, whether it is raised funds	Related Party Relationship
Shanghai Pudong Development Bank Zhuzhou Branch	Break-even guaranteed profit	120,000	2014-12-30	2015-6-29	Payment of due interest and principal	—	120,000	2,722	Yes	—	No	No	No	—
H-Tech Zone Sub-branch of Agricultural Bank of China	Break-even guaranteed profit	300,000	2015-5-15	2015-8-14	Payment of due interest and principal	3,106	—	—	Yes	—	No	No	No	—
China Guangfa Bank Zhuzhou Sub-branch	Break-even guaranteed profit	500,000	2015-5-15	2015-11-13	Payment of due interest and principal	12,216	—	—	Yes	—	No	No	No	—
Bank of Changsha Zhuzhou Branch	Break-even guaranteed profit	400,000	2015-5-15	2015-9-18	Payment of due interest and principal	6,049	—	—	Yes	—	No	No	No	—
Shanghai Pudong Development Bank Zhuzhou Branch	Break-even guaranteed profit	130,000	2015-5-19	2015-11-16	Payment of due interest and principal	3,077	—	—	Yes	—	No	No	No	—
Bank of Communications Zhuzhou Sub-branch	Break-even guaranteed profit	120,000	2015-5-21	2015-8-24	Payment of due interest and principal	1,406	—	—	Yes	—	No	No	No	—
Bank of Communications Zhuzhou Sub-branch	Break-even guaranteed profit	190,000	2015-5-21	2015-8-24	Payment of due interest and principal	2,084	—	—	Yes	—	No	No	No	—
Shanghai Pudong Development Bank Zhuzhou Branch	Break-even guaranteed profit	350,000	2015-5-21	2015-11-18	Payment of due interest and principal	8,285	—	—	Yes	—	No	No	No	—
Bank of Communications Zhuzhou Sub-branch	Break-even guaranteed profit	90,000	2015-5-27	2015-9-1	Payment of due interest and principal	1,021	—	—	Yes	—	No	No	No	—
Bank of China Limited	Break-even guaranteed profit	100,000	2014-11-27	2015-1-5	Payment of due interest and principal	—	100,000	727	Yes	—	No	No	No	—
Shanghai Pudong Development Bank Zhuzhou Branch	Break-even guaranteed profit	100,000	2014-12-17	2015-3-19	Payment of due interest and principal	—	100,000	1,109	Yes	—	No	No	No	—
Bank of China, Baotou East Zhongshan Road Dongcheng Sub-branch	Break-even guaranteed profit	30,000	2014-12-31	2015-1-20	Payment of due interest and principal	—	30,000	94	Yes	—	No	No	No	—
Bank of China, Baotou East Zhongshan Road Dongcheng Sub-branch	Break-even guaranteed profit	60,000	2014-12-30	2015-3-31	Payment of due interest and principal	—	60,000	651	Yes	—	No	No	No	—
OTIC Bank Branch in Baotou	Break-even floating profit	30,000	2014-12-31	2015-2-9	Payment of due interest and principal	—	30,000	135	Yes	—	No	No	No	—
OTIC Bank Branch in Baotou	Break-even floating profit	20,000	2014-12-30	2015-2-9	Payment of due interest and principal	—	20,000	63	Yes	—	No	No	No	—
Bank of Communications Beijing Branch Shijicheng Sub-branch	Break-even guaranteed profit	500,000	2014-11-21	2015-1-30	Payment of due interest and principal	—	500,000	4,699	Yes	—	No	No	No	—
Bank of Communications Beijing Branch Shijicheng Sub-branch	Break-even guaranteed profit	500,000	2015-6-26	2015-8-31	Payment of due interest and principal	—	—	—	Yes	—	No	No	No	—
Bank of Communications Hangzhou West Lake Sub-branch	Break-even guaranteed profit	10,000	2015-6-23	2015-7-27	Payment of due interest and principal	—	—	—	Yes	—	No	No	No	—
Total	/	6,990,000	/	/	/	37,244	4,400,000	46,748	/	/	/	/	/	/

Accumulated Amount of Overdue Principal and Income not Recovered (RMB' 000)

Nil



REPORT OF THE DIRECTORS

(2) Entrusted loans

The Company did not have any entrusted loans during the reporting period.

(3) Other wealth management products and investment in derivatives

During the reporting period, the Company did not have any other significant wealth management products or investment in derivatives which should be disclosed.

3. Use of proceeds

(1) A shares

For details of the use of proceeds raised from A share offering and issuance of the Company during the reporting period, please refer to the Specific Report on Deposit and Actual Use of A Share Proceeds of CRR Corporation Limited in the First Half of 2015 (《中國中車股份有限公司2015年上半年A股募集資金存放與實際使用情況的專項報告》) disclosed by the Company in the interim announcement dated 28 August 2015 on the website of SSE.

(2) H shares

Pursuant to “The Approval on the Issue of Overseas Listed Foreign Shares of China CNR Corporation Limited” (Zheng Jian Xu Ke [2014]No.404) issued by the CSRC, in May 2014, the Company made a public offering of 1,939,724,000 overseas listed foreign shares (H Shares) (including over-allotment) and the total proceeds were HKD10,028 million (hereinafter referred to as “CNR H Share Proceeds”). During the period from 1 January 2015 to 30 June 2015, an aggregate of approximately HKD6,675 million out of CNR H Share Proceeds has been utilised for projects relating to the emerging industries and modern services and other projects. As of 30 June 2015, an accumulated amount of approximately HKD9,050 million out of CNR H Share Proceeds has been put into use, while interest from bank deposits accumulating HKD114 million has been received. The account balance of the Company’s H share proceeds was HKD1,092 million as of 30 June 2015.



REPORT OF THE DIRECTORS

4. Analysis on principal subsidiaries and investees (figures below are prepared under the PRC GAAP)

Unit: '000 Currency: RMB

Company name	Principal products and business scope	Registered Capital	Total assets as at the end of the period	Net assets attributable to shareholders of parent company as at the end of the period	Net profit attributable to shareholders of parent company in the first half of 2015	Revenue in the first half of 2015	Operating profit in the first half of 2015
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd. (南車青島四方機車車輛股份有限公司)	Research and development and manufacture of railway MUs, passenger carriages and rapid transit vehicles; provision of maintenance services of railway MUs and high-end passenger carriages	4,003,794	35,855,062	8,307,302	1,228,214	18,228,132	1,426,379
CNR Changchun Railway Vehicle Co., Ltd. (長春軌道客車股份有限公司)	Design, manufacture, repair, sales and lease of railway passenger coaches, MUs, rail transit vehicles and related components, and provision of technical services and technical consulting in such sectors	5,807,947	38,984,739	12,546,628	1,203,271	13,555,694	1,367,004
CNR Tangshan Railway Vehicle Co., Ltd. (唐山軌道客車有限公司)	Manufacture of railway transportation equipment; sales and lease of railway vehicles, electric MUs, DMUs, maglev train, special purpose vehicles, test vehicles, rail transit vehicles and related components and provision of technical consulting services	3,990,000	24,805,566	8,645,528	1,126,387	8,410,826	1,328,723
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司)	Research and development and manufacture of railway electric powered motors and control technology and related electric equipment; research and development and manufacture of railway vehicle accessories	4,184,500	42,410,414	8,860,341	594,182	13,001,842	1,534,966
CSR Zhuzhou Electric Locomotive Co., Ltd. (南車株洲電力機車有限公司)	Research and development and manufacture of railway electric locomotives, MUs and rapid transit vehicles	4,401,366	29,102,734	5,553,125	189,058	6,233,913	190,871
CNR Dalian Locomotive & Rolling Stock Co., Ltd. (中國北車集團大連機車車輛有限公司)	Research and development, manufacture and repair of internal combustion locomotives, electric locomotives and rapid transit vehicles	3,600,000	16,370,842	5,594,190	42,689	4,136,718	29,584

5. Particulars of projects not funded by raised proceeds

During the reporting period, the Company did not invest in any material projects not funded by raised proceeds.



REPORT OF THE DIRECTORS

II. PROPOSAL FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

Pursuant to the resolutions passed at the 2014 annual general meetings of CSR and CNR respectively convened on 18 May 2015, CSR and CNR would not distribute the dividends for 2014, but upon completion of the merger of CSR and CNR, the post-merger new company would consider and arrange the profit distribution for 2014. According to the above resolutions, the Articles of Association of the Company and the requirements of the relevant laws and regulations, the Company proposes to distribute a cash dividend to all the shareholders of the Company at RMB0.12 per share (tax inclusive) based on the total share capital of 27,288,758,333 shares as at 30 June 2015. This profit distribution plan was considered and approved at the fourth meeting of the first session of the Board of Directors of the Company, and shall be submitted to the general meeting for consideration and approval.

If the above profit distribution plan is considered and approved at the general meeting of the Company, the Company expects the cash dividend to be paid by the end of December 2015. After determining the specific time for the general meeting, the Company will announce further details on closure of register of H shareholders for dividend distribution and the expected cash dividend distribution date.



SIGNIFICANT EVENTS

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS WIDELY CONTESTED BY THE MEDIA

The Company was not involved in any material litigation, arbitration or matters widely contested by the media during the reporting period.

II. MATTERS RELATED TO BANKRUPTCY AND REORGANISATION

There were no events relating to bankruptcy or reorganisation of the Company during the reporting period.

III. MATTERS RELATED TO ASSETS TRANSACTIONS AND MERGER OF COMPANIES

(i) Asset acquisitions

The Company was not involved in any material asset acquisition.

(ii) Asset disposals

The Company was not involved in any material asset disposal.

(iii) Asset swap

The Company was not involved in any asset swap.

(iv) Merger of companies

1. For information on the Company's merger of companies, please refer to note 25. Business Combination to the financial statements of this report.
2. For information on the merger of CSR and CNR, please refer to "I. Discussion and Analysis of the Board on the Operations of the Company during the Reporting Period-(i) Analysis of main business- 2. Others" of the Report of Directors in this report.



SIGNIFICANT EVENTS

IV. THE COMPANY'S SHARE OPTION INCENTIVE SCHEME AND ITS EFFECTS

(i) CSR Share Option Scheme

CSR approved and adopted its share option scheme in 2011 (the "CSR Share Option Scheme"). Under the CSR Share Option Scheme, provided that all effective conditions are met, participants could exercise the options granted to them in three tranches from the date two years after the date of grant (namely 27 April 2011). As the 2012 and 2013 annual results of CSR failed to achieve the preset results target under the CSR Share Option Scheme, the first and the second batches of share options did not become effective. CSR cancelled the first batch of share options in a total number of 12,201,667 and the second batch of share options in a total number of 12,636,787, which failed to meet the effective conditions, on 27 April 2013 and 28 April 2014, respectively.

On 9 March 2015, the general meeting, the A shareholders' class meeting and the H shareholders' class meeting of CSR approved the termination of the CSR Share Option Scheme conditional on the completion of the merger of CSR and CNR.

As the 2014 annual results of CSR failed to achieve the preset results target under the CSR Share Option Scheme, the third batch of share options thereunder did not become effective. Pursuant to the relevant provisions under the CSR Share Option Scheme, a total of 11,766,546 options granted but not yet become effective were cancelled by CSR on 27 April 2015. Upon such cancellation, all three batches of share options granted under the CSR Share Option Scheme were cancelled.

On 28 May 2015, the merger of CSR and CNR was completed and the CSR Share Option Scheme was terminated.

For details of termination of the CSR Share Option Scheme and cancellation of share options, please refer to the announcements of the Company dated 20 January 2015, 9 March 2015 and 27 April 2015 published on China Securities, Shanghai Securities News, Securities Daily, Securities Times and the websites of the SSE and the Stock Exchange.



SIGNIFICANT EVENTS

The table below sets forth the grant and exercise of share options under the CSR Share Option Scheme during the reporting period:

Name	Position in CSR	Number of options not yet exercised at the beginning of the reporting period	Number of options granted during the reporting period	Number of options exercised during the reporting period	Number of options lapsed and cancelled during the reporting period	Number of options not yet exercised at the end of the reporting period
Zheng Changhong	Chairman and executive director	66,666	0	0	66,666	0
Liu Hualong	Executive director and president	56,666	0	0	56,666	0
Fu Jianguo	Executive director	56,666	0	0	56,666	0
Zhang Jun	Vice president	56,666	0	0	56,666	0
Zhan Yanjing	Vice president and chief financial officer	56,666	0	0	56,666	0
Wang Jun	Vice president	47,134	0	0	47,134	0
Lou Qiliang	Vice president	47,134	0	0	47,134	0
Xu Zongxiang	Vice president	47,134	0	0	47,134	0
Zhang Xinning	Chief engineer	50,000	0	0	50,000	0
Shao Renqiang	Secretary to the board of directors and chief economist	50,000	0	0	50,000	0
Sub-total		534,732	0	0	534,732	0
Sub-total of other participants		11,231,814	0	0	11,231,814	0
Total		11,766,546	0	0	11,766,546	0



SIGNIFICANT EVENTS

(ii) CNR Share Option Scheme

CNR approved and adopted its share option scheme in 2012 (the “CNR Share Option Scheme”). Provided that all vesting conditions as stipulated in the CNR Share Option Scheme are met, 85,333,500 share options granted thereunder shall be exercisable in three batches from the date two years after the date of grant (namely 1 November 2012). As the 2013 annual results of CNR failed to achieve the required growth rate of the revenue under the CNR Share Option Scheme, the first batch of share options in a total number of 28,160,055 did not become effective and have been cancelled by CNR. Upon completion of such cancellation, the number of share options granted by CNR but not yet become effective was changed from 85,333,500 to 57,173,445.

On 9 March 2015, the general meeting, the A shareholders’ class meeting and the H shareholders’ class meeting of CNR approved the termination of the CNR Share Option Scheme conditional on the completion of the merger of CNR and CSR. On 28 May 2015, the merger of CNR and CSR was completed and the CNR Share Option Scheme was terminated and 57,173,445 share options granted thereunder but not yet become effective have been cancelled accordingly.

For details of termination of the CNR Share Option Scheme and cancellation of share options, please refer to the announcements of CNR dated 3 November 2014, 20 January 2015 and 9 March 2015 published on China Securities, Shanghai Securities News, Securities Daily, Securities Times and the websites of SSE and the Stock Exchange.



SIGNIFICANT EVENTS

The table below sets forth the grant and exercise of share options under the CNR Share Option Scheme during the reporting period:

Name	Position in CNR	Number of options not yet exercised at the beginning of the reporting period	Number of options granted during the reporting period	Number of options lapsed and exercised during the reporting period	Number of options lapsed and cancelled during the reporting period	Number of options not yet exercised at the end of the reporting period
Cui Dianguo	Chairman and non-executive director	281,400	0	0	281,400	0
Xi Guohua	Executive director and president	281,400	0	0	281,400	0
Zhao Guangxing	Vice president	239,190	0	0	239,190	0
Gao Zhi	Vice president and chief financial officer	239,190	0	0	239,190	0
Sun Yongcai	Vice president	239,190	0	0	239,190	0
Jia Shirui	Vice president	239,190	0	0	239,190	0
Wei Yan	Vice president	211,050	0	0	211,050	0
Yu Weiping	Vice president	211,050	0	0	211,050	0
Xie Jilong	Secretary to the board of directors and joint company secretary	211,050	0	0	211,050	0
Wang Yongzhi	Chief engineer	211,050	0	0	211,050	0
Sub-total		2,363,760	0	0	2,363,760	0
Sub-total of other participants		54,809,685	0	0	54,809,685	0
Total		57,173,445	0	0	57,173,445	0

V. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(i) Trusts, contracts and lease arrangements

The Company did not enter into any material trust, contracting or lease arrangement during the reporting period.



SIGNIFICANT EVENTS

(ii) Guarantees

Unit: RMB'000 Currency: RMB

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

Total guarantee amount provided during the reporting period (excluding guarantees provided by the Company in favour of its subsidiaries)	—
Total guarantee balance at the end of the reporting period (A) (excluding guarantees provided by the Company in favour of its subsidiaries)	—

Guarantees provided by the Company in favour of its subsidiaries

Total guarantee amount provided to the Company's subsidiaries during the reporting period	10,194,157
Total guarantee balance provided to the Company's subsidiaries at the end of the reporting period (B)	27,015,087

Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries)

Total guarantee amount (A+B)	27,015,087
Percentage of total guarantee amount to net assets of the Company (%)	28.74

Including:

Provision of guarantee to shareholders, ultimate controller and their respective connected persons (C)	—
Amount of guarantees directly or indirectly provided in favour of parties with gearing ratio over 70% (D)	16,722,955
The total amount of guarantees provided which exceeds 50% of the net asset (E)	—
Total amount of the three above-stated guarantees (C+D+E)	16,722,955
Explanation on guarantees undue that might be involved in any joint and several liability	/



SIGNIFICANT EVENTS

Explanation on guarantees

Percentage of total guarantee amount to net assets of the Company= Guarantee amount/equity attributable to owners of the parent company. During the reporting period, total guarantee amount provided by the Company in favour of its subsidiaries was RMB10,194 million. As at 30 June 2015, total guarantee balance was RMB27,015 million representing 28.74% of the Company's net assets. Out of such guarantee balance, RMB16,397 million and RMB10,618 million were provided to the Company's wholly-owned subsidiaries and non wholly-owned subsidiaries, respectively. As far as guarantee type is concerned, RMB1,399 million was provided for bank acceptance drafts, RMB6,889 million was provided for loans and medium-term notes, and RMB18,727 million was provided for letters of guarantee, letters of credit and credit facilities, etc.

As at the end of the reporting period, the Company did not provide any guarantees in favour of its controlling shareholders, ultimate controller and their related parties; all guarantees provided by the Company were in favour of its subsidiaries. As at the end of the reporting period, the guarantee balance provided by the Company in favour of its subsidiaries with gearing ratio over 70% was RMB16,723 million. Approval procedures have been complied with at the Board meetings and the general meetings as required by the Articles of Associations in respect of the guarantees provided by the Company in favour of its wholly-owned and non wholly-owned subsidiaries with gearing ratio over 70%.

(iii) Other Material Contracts or Transactions

During the reporting period, the Company signed several material sales contracts. Please refer to the announcements of the Company dated 26 January 2015 and 10 June 2015 published on the websites of the SSE and the Stock Exchange for details.



SIGNIFICANT EVENTS

VI. PERFORMANCE OF UNDERTAKINGS

(i) Undertakings by the listed company or its shareholders holding more than 5% of shares, the controlling shareholder and the ultimate controller during or up to the reporting period

§ Undertakings by CSRG

1. Undertakings in relation to the initial public offering

(1) Non-competition undertaking

CSRG disclosed in its prospectus that ①CSRG undertakes that CSRG will not and will, through legal procedures, procure its wholly-owned and non wholly-owned subsidiaries not to engage in any businesses which might directly compete with the CSR's current operating businesses; ②subject to the aforesaid undertaking ①, should CSRG (including its wholly-owned and non wholly-owned subsidiaries or other associates) operate any products or provide any services that might be in competition with the principal products or services of CSR in the future, CSRG has agreed to grant CSR pre-emptive rights to acquire the assets or the entire equity interests in such subsidiaries related to such products or services from CSRG; ③subject to the aforesaid undertaking ①, CSRG may develop advanced and lucrative projects in the future which fall within CSR's business scope, but it should grant pre-emptive right to CSR to purchase any achievements on such projects for operation under the same terms; ④CSRG should indemnify CSR for its actual losses due to the losses arising from CSRG's failure in fulfilling the undertakings ① to ③ as described above.

During the reporting period, CSRG complied with its undertakings as stated above.

(2) Undertaking on property ownership issues

CSR disclosed in its prospectus that CSR has not yet obtained proper property ownership certificates for 326 properties with a total gross floor area of 282,019.03 square meters, representing 7.85% of the total gross floor area of the property in use of the Company. As for these properties which the Company has not yet obtained property ownership certificates, CSRG undertakes that for the properties that could not obtain complete property ownership certificates due to reasons such as incomplete procedures in planning and constructions and, which were included in the asset injection to CSR by CSRG, CSRG undertakes that such properties satisfy the usage requirements necessary for production and operations of CSR. Moreover, if there is any loss incurred to CSR due to such properties, CSRG shall undertake all compensation liabilities and all economic losses that CSR paid. As of the end of the reporting period, the Company has not yet obtained proper property ownership certificates for 93 properties owned by CSR Chengdu with a total gross floor area of approximately 55,180.49 square meters.

During the reporting period, CSRG complied with its undertakings as stated above.



SIGNIFICANT EVENTS

2. Undertakings in relation to material assets reorganisation

(1) Non-competition undertaking

In the process of the merger of CSR and CNR, CSRG issued the Letter of Undertaking to Avoid Competition with the Post-Merger New Company, specifically undertaking as follows: ①CSRG undertakes that CSRG will not and will, through legal procedures, procure its wholly-owned and non wholly-owned subsidiaries not to engage in any businesses which might directly compete with the Post-Merger New Company's current operating businesses; ②subject to the aforesaid undertaking ①, should CSRG (including its wholly-owned and non wholly-owned subsidiaries or other associates) operate any products or provide any services that might be in competition with the principal products or services of the Post-Merger New Company in the future, CSRG has agreed to grant the Post-Merger New Company pre-emptive rights to acquire the assets or the entire equity interests in such subsidiaries related to such products or services from CSRG; ③subject to the aforesaid undertaking ①, CSRG may develop advanced and lucrative projects in the future which fall within the Post-Merger New Company's business scope, but it should grant pre-emptive right to the Post-Merger New Company to purchase any achievements on such projects for operation under the same terms; ④CSRG should indemnify the Post-Merger New Company for its actual losses due to the losses arising from CSRG's failure in fulfilling the undertakings as described above.

(2) Undertaking to maintain the independence of a listed company

In the process of the merger of CSR and CNR, CSRG issued the Letter of Undertaking to Maintain the Independence of a Listed Company, specifically undertaking as follows: CSRG will ensure to maintain separated assets, personnel, finance, organization and business from the Post-Merger New Company, and will, in strict compliance with the relevant requirements on the dependence of a listed company imposed by the CSRC, not leverage its status as the largest shareholder and violate standardized operation procedures of a listed company to intervene the operating decisions of the Post-Merger New Company and jeopardize the legitimate interests of the Post-Merger New Company and other shareholders.



SIGNIFICANT EVENTS

(3) Undertaking to regulate related party transactions

In the process of the merger of CSR and CNR, CSRG issued the Letter of Undertaking to Regulate Related Party Transactions, specifically undertaking as follows: CSRG and other companies controlled by CSRG will endeavor to avoid or reduce the related party transactions with the post-merger new company and other companies in which it holds controlling interest. For the related party transactions that are inevitable or have reasonable grounds, CSRG will continue to perform the related party transaction framework agreements signed by it with CSR and succeeded by the post-merger new company, and will fulfill its approval procedures and information disclosure obligations in accordance with the relevant laws and regulations as well as provisions under the articles of association of the post-merger new company. Prices of the related party transactions will be determined in the principle of fair and reasonable as the prices at which same or similar transactions are conducted with other independent third parties who are not related parties.

During the reporting period, CSRG complied with its undertakings as stated above.

3. Other undertakings

During the non-public issue of shares by CSR in 2012, CSRG undertook that the 1,362,103,700 shares of CSR subscribed by CSRG could not be transferred within 36 months from the completion date of such issue. The lock-up period for such shares held by CSRG expired on 15 March 2015.

§ UNDERTAKINGS BY CNRG

1. Undertakings in Relation to the Initial Public Offering

(1) Non-competition undertakings

To avoid any competition between CNR and CNRG, the controlling shareholder of CNR, CNR and CNRG entered into the “Non-Competition Agreement of China Northern Locomotive & Rolling Stock Industry (Group) Corporation and China CNR Corporation Limited” (the “Original Agreement”) in September 2008 in relation to certain matters of the businesses of the parties. In order to guarantee the successful completion of issuance and listing of CNR’s H Shares, after the consideration and approval of the 26th meeting of the second session of the Board and 2013 annual general meeting of CNR, CNR and CNRG entered into Non-Competition Agreement of China Northern Locomotive & Rolling Stock Industry (Group) Corporation and China CNR Corporation Limited” (the “Non-competition Agreement”) in April 2014 effective from the issuance and listing of H Shares. The Non-competition Agreement became effective from the date on which the H Shares of CNR are listed on the Stock Exchange while the Original Agreement will lapse automatically on the effective date of the Non-competition Agreement.



SIGNIFICANT EVENTS

According to the provisions of the Non-competition Agreement, the non-compete undertakings made by CNRG were as follows: ① After incorporation of CNR and completion of reorganization, CNRG and its controlling enterprises will not, and will use their best endeavour to procure their investees not to, directly or indirectly, engage or participate in or assist to engage or participate in any businesses or activities that compete or may compete with the any existing and future core businesses of CNR and its controlling enterprises in any manner (including but not limited to investment, merger and acquisition, associated company, joint venture, contracting, lease operation, purchase of stocks or investment in listed companies) solely or jointly with other parties in the PRC and overseas; ② After incorporation of CNR and completion of reorganization, CNRG and its controlling enterprises will not, and will use their best endeavour to procure their investees not to, support any other parties (other than CNR and its controlling enterprises) to engage in any businesses or activities that compete or may compete with any existing and future core businesses of CNR or its controlling enterprises in any manner in the PRC or overseas; ③ After incorporation of CNR and completion of reorganization, CNRG and its controlling enterprises will not, and will use their best endeavour to procure their investees not to, involve in any businesses or activities that compete or may compete with any existing and future core businesses of CNR or its controlling enterprises in any other manner; ④ CNRG or its controlling enterprises shall immediately notify CNR in writing once any new business opportunity that constitutes or may constitute direct or indirect competition with any core businesses of CNR is identified during the validity of the Non-Competition Agreement entered into between CNRG and CNR, and shall use its best endeavour to offer the pre-emptive right of such business opportunity to CNR or its controlling enterprises on reasonable and fair terms and conditions. CNRG or relevant controlling enterprises shall, under the same conditions, transfer the pre-emptive right of such new business opportunity to CNR or its relevant controlling enterprises. In addition, CNRG undertakes to use its best endeavour to procure its investees to comply with such undertaking; ⑤ If CNRG intends to transfer, sell, lease, license or otherwise transfer or permit to use any of its existing businesses which directly or indirectly compete with any core businesses of CNR or any other future new businesses which directly or indirectly compete or may compete with any core businesses of CNR to a third party during the validity of the Non-Competition Agreement entered into between CNRG and CNR, CNRG or its controlling enterprises shall notify CNR in writing in advance and CNR has the right to decide whether to acquire the aforesaid competitive business or interests. Before CNR makes the decision, CNRG or its controlling enterprises shall not make any notifications to the third party in relation to its intention to transfer, sell, lease, or permit to use its competitive business or interests; and ⑥ CNRG will actively improve, reorganize and properly operate its existing businesses and new competitive businesses which may be acquired in the future, with an aim to ultimately transfer its competitive businesses to CNR by granting preference and option and/or pre-emptive right and/or right of first refusal to CNR.

During the reporting period, CNRG has complied with its undertakings made by it above.



SIGNIFICANT EVENTS

- (2) Undertakings on the state-owned land use certificate without specifying the use term or termination date

The CNR disclosed in its prospectus that the term or termination date of the land use rights was not specified in the state-owned land use certificate for part of the authorized lands acquired by CNR. CNRG has undertaken to compensate for the loss caused to the relevant wholly-owned subsidiaries of CNR as a result of not specifying the term or termination date of the land use rights in the state-owned land use certificate for the authorized lands.

Following completion of the merger between CSR and CNR, those undertakings made by CNRG to CNR above maintained their effects on the part of the Company. During the reporting period, CNRG has complied with the above undertakings made by it and the relevant wholly-owned subsidiaries of the Company have not incurred losses as a result of not specifying the term or termination date of the land use rights in the state-owned land use certificate for the authorized lands.

2. Undertakings in Connection with Material Assets Restructuring

- (1) Non-competition undertakings

In the process of the merger of CNR and CSR, CNRG has issued an Undertaking to Avoid Competition with the Post-Merger New Company, specifically undertaking as follows: ① CNRG undertakes that it will not, and CNRG will procure, through legal procedures, that its wholly-owned subsidiaries and controlled subsidiaries do not, engage in any businesses which may be in direct competition with the Post-Merger New Company's current operating businesses. ② Subject to undertaking ① above, should CNRG (including its wholly-owned subsidiaries and controlled subsidiaries or other associated entities) come to provide, in the future, products or services potentially in competition with the primary products or services provided by the Post-Merger New Company, CNRG has agreed to grant the Post-Merger New Company pre-emptive rights to acquire its assets related to such products or services or its entire equity interests in subsidiaries. ③ Subject to undertaking ① above, CNRG may develop advanced and highly-profitable projects in the future which fall within the business scope of the Post-Merger New Company, provided that, on the same terms, CNRG shall grant pre-emptive rights to the Post-Merger New Company to acquire any results of such projects. ④ CNRG shall indemnify the Post-Merger New Company for its actual losses arising from any failure to comply with the above undertakings.



SIGNIFICANT EVENTS

(2) Undertaking to maintain the independence of a listed company

In the process of the merger of CSR and CNR, CNRG issued the Letter of Undertaking to Maintain the Independence of a Listed Company, specifically undertaking as follows: CNRG will ensure to maintain separated assets, personnel, finance, organization and business from the Post-Merger New Company, and will, in strict compliance with the relevant requirements on the dependence of a listed company imposed by the CNRC, not leverage its status as the second largest shareholder and violate standardized operation procedures of a listed company to intervene the operating decisions of the Post-Merger New Company and jeopardize the legitimate interests of the Post-Merger New Company and other shareholders.

(3) Undertaking to regulate related party transactions

In the process of the merger of CSR and CNR, CNRG issued the Letter of Undertaking to Regulate Related Party Transactions, specifically undertaking as follows: CNRG and other companies controlled by CNRG will endeavor to avoid or reduce the related party transactions with the post-merger new company and other companies in which it holds controlling interest. For the connected transactions that are inevitable or have reasonable grounds, CNRG will continue to perform the related party transaction framework agreements signed by it with CNR and succeeded by the post-merger new company, and will fulfill its approval procedures and information disclosure obligations in accordance with the relevant laws and regulations as well as provisions under the articles of association of the post-merger new company. Prices of the related party transactions will be determined in the principle of fair and reasonable as the prices at which same or similar transactions are conducted with other independent third parties who are not related parties.

During the reporting period, CNRG has complied with its undertakings made by it above.



SIGNIFICANT EVENTS

VII. APPOINTMENT AND REMOVAL OF AUDITORS

The 2014 annual general meetings held on 18 May 2015 by CSR and CNR, respectively considered and approved the Resolution in Relation to the Appointment of Auditors in Respect of the 2015 Financial Report and Auditors in Respect of Internal Control and the Resolution Regarding the Payment of Audit Fees for 2014 of China CNR Corporation Limited and the Engagement of Audit Firms for 2015 by China CNR Corporation Limited and the Post-Merger New Company. According to the above resolutions, Deloitte Touche Tohmatsu was appointed as the auditor in respect of the financial reports for the year 2015 which will be prepared in accordance with overseas financial reporting standards; Deloitte Touche Tohmatsu CPA LLP and KPMG Huazhen (Special General Partnership) were appointed as the auditors in respect of the financial reports for the year 2015 which will be prepared in accordance with domestic financial reporting standards and the internal control system, among which, Deloitte Touche Tohmatsu CPA LLP is the principal auditor.

VIII. CORPORATE GOVERNANCE

During the reporting period, the Company has implemented its corporate governance in stringent compliance with requirements of the Company Law of the PRC, the Securities Law of the PRC and the Code of Corporate Governance for Listed Companies, as well as the relevant requirements of the SSE and the Stock Exchange. The Company has established a modern corporate governance structure featuring “three meetings and one management”. Through the establishment of an effective corporate governance mechanism, corporate governance and operation management were improved on a continuous manner, perfecting the corporate governance of the Company.

(i) Compliance with the Corporate Governance Code

After reviewing the corporate governance documents adopted by the Company, the Board is of the opinion that during the reporting period, the Company was in strict compliance with all the principles and code provisions in the Corporate Governance Code, and adopted part of the recommended best practices specified therein. In certain aspects, the corporate governance practices adopted by the Company are more stringent than the code provisions set out in the Corporate Governance Code.

(ii) Securities Transactions by Directors and Supervisors

The Company has strictly complied with the relevant requirements of the Hong Kong Listing Rules (especially the Model Code) and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》), and published notices on a regular basis to inform important notes for securities transaction by the Directors and Supervisors. The Company also imposed similar requirements on those key personnel who may have knowledge of insider information. The Company has confirmed that, during the reporting period, all the Directors and Supervisors have complied with the requirements for securities transactions mentioned above.

(iii) Review of the Interim Report by the Audit and Risk Management Committee

The Audit and Risk Management Committee has reviewed the Company’s unaudited interim condensed consolidated financial statements and the interim report for the six months ended 30 June 2015, and has agreed on their submission to the Board for consideration and approval.



SIGNIFICANT EVENTS

IX. OTHER SIGNIFICANT EVENTS

(i) Analysis and explanation of the Board on the reasons for and impacts of the changes in accounting policies, accounting estimates and auditing methods

The Company formulated new accounting methods based on the accounting methods of CSR and CNR, which were considered and approved at the 3rd meeting of the first session of the Board of the Company. On 28 August 2015, the Resolution in Relation to the Changes in Accounting Estimates of CRRC Corporation Limited was approved at the 4th meeting of the first session of the Board of Directors of the Company. The Company has unified and adjusted the original maturity profile of receivables and percentage of bad debt provision of CSR and CNR by making reference to the recent years' trend of rail transit industry and existing production and operational conditions as well as customers' credit and exposure profile of the Company, based on the management's historical experience in maturity profile and credit risks from the past few years and with reference to comparable public companies' maturity profile of receivables and their percentage of bad debt provision. The above changes in accounting estimates were effective from 30 June 2015, after preliminary measurement, which will result in an increase of the Company's profit for 2015 by RMB106 million.

(ii) Others

1. Acquisition of Deepsea Robots Business by Times Electric

On 5 February 2015, Times Electric, a subsidiary of the Company, entered into an agreement with the shareholders of SMD Limited and SMD Investment (a subsidiary of SMD Limited), pursuant to which Times Electric shall purchase the entire equity interest of SMD Limited and entire equity interest of Bywell Holdings Limited through SMD Investment. On 9 April 2015, Times Electric completed the said acquisition.

2. Non-Public Issuance of Shares by Times New Material to CSR ZELRI

In September 2014, Times New Material completed the acquisition of BOGE rubber and plastics business from ZF Group. In order to raise sufficient funds necessary for later consolidating of BOGE and its development whilst minimizing the overall financial risks of Times New Material, the 25th meeting of the sixth session of the board of directors of Times New Material as well as its first 2015 extraordinary general meeting considered and approved its proposal for non-public issuance. Pursuant to the proposal, Times New Material intends to make a non-public issuance of 141,110,066 A shares, at an issue price of RMB10.63 per share, to its controlling shareholder CSR ZELRI, the gross proceeds from which will be RMB1,500 million. CSR ZELRI will subscribe the shares to be issued in full at a cash consideration. As at 2 March 2015, Times New Material received the Reply on Issues Regarding Private Placing of Shares by Zhuzhou Times New Material Technology Co., Ltd. (Guo Zi Chan Quan [2015] No. 102) (《關於株洲時代新材料科技股份有限公司非公開發行股票有關問題的批復》(國資產權[2015]102號) from the SASAC, which approved the proposal of Times New Material for non-public issuance of A shares. At present, the non-public issuance is under approval of the CSRC.

3. Consolidation of BST Company

On 25 December 2014, CSR Sifang Ltd., a subsidiary of the Company, and foreign shareholders of BST, a joint venture of CSR Sifang Ltd., signed amendments to the articles of association of BST with effect from 1 January 2015, pursuant to which, CSR Sifang Ltd. obtained control over BST and BST became a non-wholly-owned subsidiary from a joint venture with BST consolidated into its accounts starting from 1 January 2015.



CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS





CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(i) Changes in Shares

1. Changes in the shares as follows

Unit: Shares

	Before the change		New issue	Bonus issue	Increase/decrease (+/-)			Sub-total	After the change	
	Number of shares	Percentage (%)			Conversion from reserves	Others	Number of shares		Percentage (%)	
I. Shares subject to trading moratorium	1,362,103,700	9.87	0	0	0	-1,362,103,700	-1,362,103,700	0	0	
1. State-owned legal person shares	1,362,103,700	9.87	0	0	0	-1,362,103,700	-1,362,103,700	0	0	
II. Shares not subject to trading moratorium	12,440,896,300	90.13	+13,485,758,333	0	0	+1,362,103,700	+14,847,862,033	27,288,758,333	100	
1. Ordinary shares										
denominated in RMB	10,416,896,300	75.47	+11,138,692,293	0	0	+1,362,103,700	+12,500,795,993	22,917,692,293	83.98	
2. Overseas listed foreign shares	2,024,000,000	14.66	+2,347,066,040	0	0	0	+2,347,066,040	4,371,066,040	16.02	
III. Total number of shares	13,803,000,000	100	+13,485,758,333	0	0	0	+13,485,758,333	27,288,758,333	100	

2. Particulars of changes in shares

The merger of CSR and CNR has been approved by the CSRC in the Approval for Merger by way of Absorption by CSR Corporation Limited with China CNR Corporation Limited (Zheng Jian Xu Ke [2015] No. 748) (《關於核准中國南車股份有限公司吸收合併中國北車股份有限公司的批覆》(證監許可[2015] 748 號)). The H share exchange involved in the Merger was completed on 26 May 2015, pursuant to which, the Company issued additional 2,347,066,040 H Shares. The A share exchange involved in the Merger was completed on 28 May 2015, pursuant to which, the Company issued additional 11,138,692,293 A Shares. As of the end of the reporting period, the total share capital of the Company was 27,288,758,333 shares.

3. Public float

During the reporting period, the public float of the Company satisfies the requirement under Rule 8.08 of the Hong Kong Listing Rules.

4. Purchase, sale or redemption of securities of the Company

During the reporting period, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's securities under the Hong Kong Listing Rules.



CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

(ii) Movement in Shares Subject to Trading Moratorium

Unit: Shares

Name of shareholder	Initial number of shares subject to trading moratorium	Number of shares released from trading moratorium	Number of additional shares subject to trading moratorium for the Reporting Period	Number of shares subject to trading moratorium at the end of the Reporting Period	Reasons for trading moratorium	Date of release from trading moratorium
CSRG	1,362,103,700	1,362,103,700	—	—	Private placing of A Shares	16 March 2015
Total	1,362,103,700	1,362,103,700	—	—	/	/

II. PARTICULARS OF SHAREHOLDERS

(i) Total number of shareholders

Total number of shareholders as at the end of the reporting period (shareholder) ^{Note}

1,855,350

Note: As at the end of the reporting period, the Company had 1,852,826 holders of A shares and 2,524 holders of H shares.

CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

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

Unit: shares

Shareholdings of the top ten shareholders							
Name of shareholder(full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Shares pledged or frozen			
				Number of shares subject to trading moratorium held	Pledged or frozen	Number	Nature of shareholder
CSRG	0	7,796,321,142	28.57	0	Nil	0	State-owned legal person
CNRG	6,990,001,869	6,990,001,869	25.61	0	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED ^{Note}	2,346,997,420	4,364,434,259	15.99	Unknown	Unknown	Unknown	Overseas legal person
Beijing CNR Investment Co., Ltd.	380,172,012	380,172,012	1.39	0	Nil	0	State-owned legal person
CSR Capital Company	0	93,085,715	0.34	0	Nil	0	State-owned legal person
Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund (中國工商銀行-上證50交易型開放式指數證券投資基金)	58,440,829	72,847,203	0.27	Unknown	Unknown	Unknown	Other
Hong Kong Securities Clearing Company Limited	69,591,388	69,591,388	0.26	Unknown	Unknown	Unknown	Overseas legal person
National Social Security Fund 503 (全國社保基金五零三組合)	-48,605,812	46,688,888	0.17	Unknown	Unknown	Unknown	Other
Bank Negara Malaysia	-13,116,590	39,751,900	0.15	Unknown	Unknown	Unknown	Other
Xu Qi(徐琦)	34,653,000	34,653,000	0.13	Unknown	Unknown	Unknown	Domestic natural person



CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

Shareholdings of the top ten holders of shares not subject to trading moratorium			
Name of shareholder	Number of circulating shares not subject to trading moratorium held	Type and number of shares	Number
		Type	
CSRG	7,796,321,142	Ordinary shares denominated in RMB	7,796,321,142
CNRG	6,990,001,869	Ordinary shares denominated in RMB	6,990,001,869
HKSCC NOMINEES LIMITED ^{Note}	4,364,434,259	Overseas listed foreign shares	4,364,434,259
Beijing CNR Investment Co., Ltd.	380,172,012	Ordinary shares denominated in RMB	380,172,012
CSR Capital Company	93,085,715	Ordinary shares denominated in RMB	93,085,715
Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund (中國工商銀行-上證50交易型開放式指數證券投資基金)	72,847,203	Ordinary shares denominated in RMB	72,847,203
Hong Kong Securities Clearing Company Limited	69,591,388	Ordinary shares denominated in RMB	69,591,388
National Social Security Fund 503 (全國社保基金五零三組合)	46,688,888	Ordinary shares denominated in RMB	46,688,888
Bank Negara Malaysia	39,751,900	Ordinary shares denominated in RMB	39,751,900
Xu Qi(徐琦)	34,653,000	Ordinary shares denominated in RMB	34,653,000
Connections or parties acting in concert among the aforesaid shareholders	CSR Capital Company is a wholly-owned subsidiary of CSRG and Beijing CNR Investment Co., Ltd. is a wholly-owned subsidiary of CNRG. Save for the above, the Company is not aware of any connections among the other shareholders above, nor aware of any parties acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies.		

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



CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

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

As at 30 June 2015, the persons set out in the table below had an interest or short position in the Company's shares as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Capacity	H shares or A shares	Nature of interest	Number of H shares or A shares held	Percentage of H shares or A shares held in the total issued
					H shares or total issued A shares (%)
CSRG	Beneficial owner	A shares	Long position	7,796,321,142	34.02
	Interest of corporation controlled by the substantial shareholder	A shares	Long position	93,085,715	0.40
CNRG	Beneficial owner	A shares	Long position	6,990,001,869	30.50
	Interest of corporation controlled by the substantial shareholder	A shares	Long position	380,172,012	1.66
National Council for Social Security Fund (全國社會保障基金理事會)	Beneficial owner	H shares	Long position	272,354,640	6.23
JP Morgan Chase & Co.	Beneficial owner, Investment Manager, Custodian/Approved lending agent	H shares	Long position	260,239,231	5.95
	Beneficial owner	H shares	Short position	17,163,320	0.39
	Custodian/Approved lending agent	H shares	Lending pool	174,691,612	3.99
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H shares	Long position	272,464,614	6.23
	Interest of corporation controlled by the substantial shareholder	H shares	Short position	4,905,000	0.11

Notes:

- (1) CSRG held 93,085,715 A shares of the Company through its wholly-owned subsidiary, CSR Capital Company. CNRG held 380,172,012 A shares of the Company through its wholly-owned subsidiary, Beijing CNR Investment Co., Ltd.
- (2) Except for the direct and indirect shareholdings in the Company by CSRG and CNRG and the proportion details, other information disclosed hereby is based on the information available on the website of the Stock Exchange at www.hkex.com.hk.

Save as disclosed above, as far as the Directors are aware, as at 30 June 2015, no other person had interest and/or short position in the shares or underlying shares (as the case may be) of the Company which were required to be recorded in the register pursuant to section 336 of Part XV of the SFO, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.



CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

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

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

III. CHANGES IN THE CONTROLLING SHAREHOLDER OR THE ULTIMATE CONTROLLER

CSRG, the first largest shareholder of the Company and CNRG, the second largest shareholder of the Company have entered into the Merger Agreement between China Northern Locomotive & Rolling Stock Industry (Group) Corporation and CSR Group (“Group Merger Agreement”) on 5 August 2015. According to the Group Merger Agreement, CNRG will absorb CSRG and CSRG will be de-registered, CNRG will change its name to “CRRC Group” and all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSRG will be held by the post-merger corporation (hereinafter referred to as the “Group Merger”). The Group Merger has been approved by SASAC pursuant to the “Notice regarding the Restructuring of China Northern Locomotive & Rolling Stock Industry (Group) Corporation and CSR Group” (Guo Zi Fa Gai Ge [2015] No. 102) (《關於中國北方機車車輛工業集團公司與中國南車集團公司重組的通知》(國資發改革[2015]102號)) and the “Approval for a Waiver from Fulfilling the Obligation by China Northern Locomotive and Rolling Stock Industry (Group) Corporation to Make a General Offer for Shares of CRRC Corporation Limited (《關於核准豁免中國北方機車車輛工業集團要約收購中國中車股份有限公司股份義務的批復》)” from CSRC has been obtained.

Before the Group Merger, CSRG, the first largest shareholder of the Company, directly held 28.57% equity interest in the Company, and indirectly held 0.34% equity interest in the Company through its subsidiary CSR Capital Company (中國南車集團投資管理公司). CNRG, the second largest shareholder of the Company directly held 25.61% equity interest in the Company, and indirectly held 1.39% equity interest in the Company through its subsidiary Beijing CNR Investment Co., Ltd. (北京北車投資有限責任公司). Upon completion of the Group Merger, the post-merger corporation, CRRC Group, will directly hold 54.18% equity interest in the Company, indirectly hold 0.34% equity interest in the Company through CSR Capital Company, and indirectly hold 1.39% equity interest in the Company through Beijing CNR Investment Co., Ltd. The Group Merger results in no change of the ultimate controller of the Company. The ultimate controller of the Company remains to be SASAC.

For more details, please refer to the related announcements of the Company dated 5 August 2015, 10 August 2015 and 25 August 2015 published on the websites of SSE and the Stock Exchange.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN SHAREHOLDING

(i) Changes in shareholding by current and retired Directors, Supervisors and Senior Management during the reporting period

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

(ii) Share options granted to Directors, Supervisors and Senior Management during the reporting period

During the reporting period, no share option was granted to Directors, Supervisors or Senior Management.

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

As at 30 June 2015, the following Directors and Supervisors had interests in the A shares of the Company and relevant details are set out as follows:

Name	Position	Capacity	Type of shares held	Number of shares held
Cui Dianguo	Chairman, Executive Director	Beneficial owner	A shares	137,500
Zheng Changhong	Vice chairman, Executive Director	Beneficial owner	A shares	60,000
Liu Hualong	Vice chairman, Executive Director	Beneficial owner	A shares	50,000
Xi Guohua	Executive Director, President	Beneficial owner	A shares	231,800
Fu Jianguo	Executive Director	Beneficial owner	A shares	50,000
Qiu Wei	Employee representative Supervisor	Beneficial owner	A shares	30,000

Save as disclosed above, as at 30 June 2015, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code by the Directors or Supervisors.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Change	Reason for change
Cui Dianguo	Chairman, Executive Director	Elected	Merger of CSR and CNR
Zheng Changhong	Vice chairman, Executive Director	Elected	Merger of CSR and CNR
Liu Hualong	Vice chairman, Executive Director	Elected	Merger of CSR and CNR
Xi Guohua	Executive Director, President	Elected	Merger of CSR and CNR
Fu Jianguo	Executive Director	Elected	Merger of CSR and CNR
Liu Zhiyong	Non-executive Director	Elected	Merger of CSR and CNR
Li Guo'an	Independent non-executive Director	Elected	Merger of CSR and CNR
Zhang Zhong	Independent non-executive Director	Elected	Merger of CSR and CNR
Wu Zhuo	Independent non-executive Director	Elected	Merger of CSR and CNR
Sun Patrick	Independent non-executive Director	Elected	Merger of CSR and CNR
Chan Ka Keung, Peter	Independent non-executive Director	Elected	Merger of CSR and CNR
Wan Jun	Chairman of the supervisory committee	Elected	Merger of CSR and CNR
Chen Fangping	Supervisor	Elected	Merger of CSR and CNR
Qiu Wei	Employee representative Supervisor	Elected	Merger of CSR and CNR
Zhao Guangxing	Vice president	Appointed	Merger of CSR and CNR
Zhan Yanjing	Vice president, Chief financial officer	Appointed	Merger of CSR and CNR
Sun Yongcai	Vice president	Appointed	Merger of CSR and CNR
Wang Jun	Vice president	Appointed	Merger of CSR and CNR
Lou Qiliang	Vice president	Appointed	Merger of CSR and CNR
Yu Weiping	Vice president	Appointed	Merger of CSR and CNR
Xie Jilong	Secretary to the Board	Appointed	Merger of CSR and CNR

During the reporting period, CSR merged with CNR through absorption according to the Approval for Merger by way of Absorption by CSR Corporation Limited of China CNR Corporation Limited (Zheng Jian Xu Ke [2015] No. 748) (《關於核准中國南車股份有限公司吸收合併中國北車股份有限公司的批覆》(證監許可[2015]748號)) and the Approval of Additional Issue of Overseas Listed Foreign Shares by CSR Corporation Limited (Zheng Jian Xu Ke [2015] No. 695) (《關於核准中國南車股份有限公司增發境外上市外資股的批覆》(證監許可[2015]695號)) issued by CSRC.

On 18 May 2015, CSR and CNR held their respective 2014 annual general meetings, on which, Cui Dianguo, Zheng Changhong, Liu Hualong, Xi Guohua and Fu Jianguo were elected as the executive Directors of the first session of the Board of CRRC; Liu Zhiyong was elected as the non-executive Director; Li Guo'an, Zhang Zhong, Wu Zhuo, Sun Patrick and Chan Ka Keung, Peter were elected as the independent non-executive Directors; Wan Jun and Chen Fangping were elected as the shareholder representative Supervisors of the first session of the Supervisory Committee of CRRC, along with Mr. Qiu Wei, the employee representative supervisor elected by employee congress, constituted the first session of the Supervisory Committee of the Company. The Directors and Supervisors of CRRC commenced to perform their duties on 28 May 2015. The directors and supervisors of CSR and CNR had resigned from their positions as directors and supervisors in CSR and CNR.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 1 June 2015, CRRC convened the first meeting of the first session of the Board, on which, Cui Dianguo was elected as the chairman of the first session of the Board; Zheng Changhong and Liu Hualong were elected as vice chairman; Xi Guohua was appointed as the president of the Company; Cui Dianguo, Zheng Changhong, Liu Zhiyong, Liu Hualong, Xi Guohua, Fu Jianguo and Wu Zhuo were elected as members of the Strategy Committee, of which, Cui Dianguo serves as chairman and Zheng Changhong and Liu Zhiyong serve as vice chairman; Sun Patrick, Chan Ka Keung, Peter, Liu Zhiyong, Li Guo'an and Zhang Zhong were elected as members of the Audit and Risk Management Committee, of which, Sun Patrick serves as chairman and Chan Ka Keung, Peter serves as vice chairman; Li Guo'an, Zhang Zhong, Cui Dianguo, Zheng Changhong and Wu Zhuo were elected as members of the Nomination Committee, of which, Li Guo'an serves as chairman and Zhang Zhong serves as vice chairman; Wu Zhuo, Chan Ka Keung, Peter, Li Guo'an, Zhang Zhong and Sun Patrick were elected as members of the Remuneration and Evaluation Committee, of which, Wu Zhuo serves as chairman and Chan Ka Keung, Peter serves as vice chairman. On the same day, CRRC convened the second meeting of the first session of the Board, on which, Zhao Guangxing, Sun Yongcai, Wang Jun, Lou Qiliang and Yu Weiping were appointed as vice presidents of the Company; Ms. Zhan Yanjing was appointed as vice president and chief financial officer and Xie Jilong was appointed as the secretary to the Board. The above persons commenced to perform their duties on 1 June 2015. The senior management of CSR and CNR had resigned from their positions as senior management in CSR and CNR.

On 1 June 2015, CRRC convened the first meeting of the first session of the Supervisory Committee, on which, Wan Jun was elected as the chairman of the first session of the Supervisory Committee.

III. CHANGES OF INFORMATION OF DIRECTORS OR SUPERVISORS

Mr. Liu Zhiyong, a non-executive Director of the Company, has started to serve as a non-executive director of China Coal Energy Company Limited since 16 June 2015. China Coal Energy Company Limited is a company listed on the Shanghai Stock Exchange (stock code: 601898) and the Main Board of the Stock Exchange (stock code: 1898).

Mr. Sun Patrick, an independent non-executive Director of the Company, has started to serve as an independent non-executive director of China Railway Signal & Communication Corporation Limited since 21 May 2015. China Railway Signal & Communication Corporation Limited is a company listed on the Main Board of the Stock Exchange (stock code: 3969). Mr. Sun Patrick has ceased to be an independent non-executive director and chairman of Solomon Systech (International) Limited since 16 June 2015. Solomon Systech (International) Limited is a company listed on the Main Board of the Stock Exchange (stock code: 2878).

Save as disclosed above, there were no changes in the information of Directors or Supervisors of the Company that shall be disclosed in this interim report pursuant to relevant requirements of Rule 13.51(B)(1) of the Hong Kong Listing Rules.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Six months ended 30 June	
	Notes	2015 RMB'000	2014 RMB'000 (Restated)
Revenue	5	91,816,294	86,410,184
Cost of sales		(72,309,769)	(69,762,154)
Gross profit		19,506,525	16,648,030
Other income and gains and losses	5	1,156,893	853,645
Distribution and selling expenses		(3,372,206)	(2,435,710)
Administrative expenses		(9,532,972)	(7,742,334)
Other expenses	6	(378,517)	(550,454)
Finance costs	7	(584,784)	(957,346)
Share of profits of:			
Joint ventures		137,741	244,676
Associates		71,408	70,608
Profit before taxation	6	7,004,088	6,131,115
Income tax expense	8	(1,329,252)	(1,107,911)
Profit for the period		5,674,836	5,023,204
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Net gain on revaluation of available-for-sale financial assets		155,837	(45,894)
Income tax relating to items that may be reclassified subsequently		(16,293)	(12,723)
Exchange differences arising on translation		(164,429)	25,462
Other comprehensive income for the period, net of income tax		(24,885)	(33,155)
Total comprehensive income for the period		5,649,951	4,990,049
Profit for the period attributable to:			
Owners of the Company		4,698,880	4,397,565
Non-controlling interests		975,956	625,639
		5,674,836	5,023,204
Total comprehensive income for the period attributable to:			
Owners of the Company		4,784,863	4,355,998
Non-controlling interests		865,088	634,051
		5,649,951	4,990,049
Earnings per share (RMB)	10		
– Basic		0.17	0.17
– Diluted		0.17	0.17

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

	Notes	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)
Non-current Assets				
Property, plant and equipment	11	59,536,000	58,693,035	53,592,845
Investment properties		382,032	74,210	84,265
Prepaid lease payments - non-current portion	12	13,991,618	13,538,143	13,123,812
Goodwill		1,310,831	777,425	74,943
Other intangible assets		3,468,489	1,915,407	1,383,404
Interests in joint ventures		1,626,475	2,888,625	3,060,488
Interests in associates		1,899,968	1,924,958	1,877,358
Loans and advances to customers		128,979	29,700	30,000
Available-for-sale investments - non-current portion		2,144,416	1,022,006	787,249
Deferred tax assets		2,323,863	1,927,645	1,040,732
Other non-current assets	13	14,862,863	15,369,447	12,643,902
		101,675,534	98,160,601	87,698,998
Current Assets				
Prepaid lease payments - current portion	12	347,441	334,969	396,240
Inventories	14	74,585,765	59,628,329	36,606,231
Available-for-sale investments - current portion		2,590,000	4,400,000	700,000
Trade receivables	15	66,105,237	58,423,719	63,953,977
Bills receivable		6,461,271	8,880,020	7,582,503
Prepayments, deposits and other receivables	16	20,758,710	19,759,662	18,770,484
Financial assets at fair value through profit or loss		5,258	4,387	15,896
Amounts due from customers for contract work	17	197,797	38,074	3,369
Tax recoverable		102,586	151,211	55,656
Pledged bank deposits	18	4,342,126	5,265,909	2,580,983
Cash and bank balances	18	30,295,462	43,630,303	23,221,287
		205,791,653	200,516,583	153,886,626



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

	Notes	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)
Current Liabilities				
Trade payables	19	80,568,320	71,389,640	59,321,984
Bills payable	20	18,155,179	21,551,467	21,581,381
Other payables and accruals	21	41,999,164	47,554,000	28,250,645
Financial liabilities at fair value through profit or loss		1,191	1,000	1,201
Borrowings - due within one year	22	27,020,257	27,375,105	28,255,445
Retirement benefit obligations - current portion		407,030	391,335	386,948
Tax payable		908,440	1,310,418	1,023,599
Due to customers		755,795	1,012,469	455,347
Long-term payable - current portion		71,477	73,680	—
Provision for warranties - current portion		1,382,026	1,951,783	1,131,096
Government grants - current portion		399,767	201,998	234,832
		171,668,646	172,812,895	140,642,478
Net Current Assets		34,123,007	27,703,688	13,244,148
Total Assets less Current Liabilities		135,798,541	125,864,289	100,943,146
Capital and Reserves				
Share capital	23	27,288,758	13,803,000	13,803,000
Reserves		66,713,739	75,470,812	61,090,253
Equity attributable to owners of the Company		94,002,497	89,273,812	74,893,253
Non-controlling interests		14,916,493	12,828,505	11,398,417
Total Equity		108,918,990	102,102,317	86,291,670
Non-current Liabilities				
Borrowings - due after one year	22	13,128,488	12,215,964	4,983,788
Long-term payable		224,952	239,216	31,206
Retirement benefit obligations – non-current portion		4,135,471	4,200,975	3,493,881
Provision for warranties – non-current portion		3,563,269	1,795,359	1,147,285
Government grants – non-current portion		4,690,881	4,776,280	4,783,329
Deferred tax liabilities		246,574	117,147	62,393
Other non-current liabilities - non-current portion		889,916	417,031	149,594
		26,879,551	23,761,972	14,651,476
Total Equity and Non-current Liabilities		135,798,541	125,864,289	100,943,146

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the Company											Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Share options reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Statutory surplus reserve RMB'000 (Note 1)	Special reserve RMB'000 (Note 2)	General risk reserve RMB'000 (Note 3)	Translation reserve RMB'000	Retained earnings RMB'000 (Note 4)	Total RMB'000		
At 31 December 2014	13,803,000	9,914,064	163,751	47,584	28,490	1,123,312	—	136,668	(64,015)	15,367,677	40,510,531	11,011,198	51,521,729
Add: effect of business combination under common control	—	34,520,201	(29,862)	34,320	(525,148)	—	49,957	38,039	(1,091)	14,676,865	48,763,281	1,817,307	50,580,588
At 1 January 2015 (restated)	13,803,000	44,434,265	133,889	81,904	(496,658)	1,123,312	49,957	174,707	(65,106)	30,034,542	89,273,812	12,828,505	102,102,317
Profit for the period	—	—	—	—	—	—	—	—	—	4,698,880	4,698,880	975,956	5,674,836
Other comprehensive income for the period:													
Change in fair value of available-for-sale investments, net of tax	—	—	139,236	—	—	—	—	—	—	—	139,236	308	139,544
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	—	—	(53,253)	—	(53,253)	(111,176)	(164,429)
Total comprehensive income for the period	—	—	139,236	—	—	—	—	—	(53,253)	4,698,880	4,784,863	865,088	5,649,951
Issuance of shares for 2015 Business Combination under common control	13,485,758	(13,485,758)	—	—	—	—	—	—	—	—	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	1,425,518	1,425,518
Acquisition of additional interest in subsidiaries	—	(12,803)	—	—	—	—	—	—	—	—	(12,803)	(94,103)	(106,906)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	165,787	165,787
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(275,093)	(275,093)
Recognition of equity-settled share based payments	—	—	—	(47,584)	—	—	—	—	—	—	(47,584)	—	(47,584)
Appropriation of reserve	—	—	—	—	—	—	—	54,996	—	(54,996)	—	—	—
Appropriation of special reserves	—	—	—	—	—	—	125,401	—	—	—	125,401	2,847	128,248
Utilisation of special reserves	—	—	—	—	—	—	(125,401)	—	—	—	(125,401)	(2,847)	(128,248)
Others	—	4,209	—	—	—	—	—	—	—	—	4,209	791	5,000
At 30 June 2015	27,288,758	30,939,913	273,125	34,320	(496,658)	1,123,312	49,957	229,703	(118,359)	34,678,426	94,002,497	14,916,493	108,918,990



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the Company												
	Share capital RMB'000	Capital reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Share options reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Statutory surplus reserve RMB'000 (Note 1)	Special reserve RMB'000 (Note 2)	General risk reserve RMB'000 (Note 3)	Translation reserve RMB'000	Retained earnings RMB'000 (Note 4)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2013	13,803,000	10,486,183	138,703	79,248	131,970	1,043,985	—	—	(53,543)	11,500,975	37,130,521	9,652,195	46,782,716
Add: effect of business combination under common control	—	26,721,388	(23,814)	38,238	(356,952)	—	49,957	34,582	(98)	11,299,431	37,762,732	1,746,222	39,508,954
At 1 January 2014 (restated)	13,803,000	37,207,571	114,889	117,486	(224,982)	1,043,985	49,957	34,582	(53,641)	22,800,406	74,893,253	11,398,417	86,291,670
Profit for the period	—	—	—	—	—	—	—	—	—	4,397,565	4,397,565	625,639	5,023,204
Other comprehensive income for the period:													
Change in fair value of available-for-sale investments net of tax	—	—	(58,617)	—	—	—	—	—	—	—	(58,617)	—	(58,617)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	—	—	17,050	—	17,050	8,412	25,462
Total comprehensive income for the period	—	—	(58,617)	—	—	—	—	—	17,050	4,397,565	4,355,998	634,051	4,990,049
Capital contribution from shareholders	—	7,730,082	—	—	—	—	—	—	—	—	7,730,082	—	7,730,082
Acquisition of additional interest in subsidiaries	—	(16,791)	—	—	—	—	—	3,456	—	(3,456)	(16,791)	(124,235)	(141,026)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(12,252)	(12,252)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	110,098	110,098
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(276,966)	(276,966)
Recognition of equity-settled share based payments	—	—	—	(47,598)	—	—	—	—	—	—	(47,598)	(65)	(47,663)
Dividends distributed	—	—	—	—	—	—	—	—	—	(3,306,281)	(3,306,281)	—	(3,306,281)
Appropriation of reserve	—	—	—	—	—	—	—	—	—	(76)	(76)	(65)	(141)
Appropriation of special reserves	—	—	—	—	—	—	127,290	—	—	—	127,290	928	128,218
Utilisation of special reserves	—	—	—	—	—	—	(127,290)	—	—	—	(127,290)	(928)	(128,218)
Others	—	(315)	—	—	—	—	—	—	—	—	(315)	(293)	(608)
At 30 June 2014 (restated)	13,803,000	44,920,547	56,272	69,888	(224,982)	1,043,985	49,957	38,038	(36,591)	23,888,158	83,608,272	11,728,690	95,336,962

Note 1: According to relevant laws and regulations of the People's Republic of China ("PRC"), an entity established under the PRC Company Law is required to make an appropriation at 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the PRC accounting standards, to the statutory surplus reserve fund until the balance reached 50 percent of the registered capital of that entity. The reserve appropriated can only make up losses or use to increase the registered capital of that entity and is not distributable.

Note 2: Pursuant to the relevant regulations of the PRC, the Group is required to transfer safety production funds at fixed rates based on production volume to a specific reserve accounts. The safety production funds could be utilised when expenses or capital expenditures on safety measures occur. The amount of safety production funds utilised would be transferred from the specific reserve account to retained earnings.

Note 3: According to the relevant provisions of the Ministry of Finance, CSR Finance Co., Ltd. and CNR Finance Co., Ltd. ("Finance Companies"), subsidiaries of the Company, are required to make an appropriation of general risk reserve from net profit as profit distribution, the balance of general risk reserve should not be less than 1.5 percent of risk assets at 30 June 2015. According to the resolution of board of directors, Finance Companies made provision for general risk reserve amounting to RMB54,996,000 (six months ended 30 June 2014: RMB3,456,000).

Note 4: It included statutory surplus reserve provided by subsidiaries amounting to RMB5,163,870,000 (six months ended 30 June 2014: RMB3,786,204,000) as at 30 June 2015.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000 (Restated)
Net cash used in operating activities	(10,780,214)	(16,235,395)
Net cash generated from/(used in) investing activities	2,274,373	(6,143,687)
Net cash (used in)/generated from financing activities	(1,441,329)	29,061,733
Net (decrease) increase in cash and cash equivalents	(9,947,170)	6,682,651
Cash and cash equivalents at 1 January	37,034,186	21,193,198
Effect of foreign exchange rate changes	(46,194)	13,387
Cash and cash equivalents at 30 June, represented by Bank balances and cash	27,040,822	27,889,236



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. GENERAL AND BASIS OF PREPARATION

CSR Corporation Limited (“CSR”) was incorporated in the PRC on 28 December 2007 as a joint stock company with limited liability under the Company Law of the PRC. The Company’s A shares were listed on the Shanghai Stock Exchange (the “SSE”) on 18 August 2008 and the Company’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “HKSE”) on 21 August 2008. In 2012, the Company completed the non-public issue of 1,963,000,000 A shares. The details of the A shares and H shares’ issuance are set out in Note 23.

China CNR Corporation Limited (“CNR”) was incorporated in the PRC on 26 June 2008 as a joint stock company with limited liability under the Company Law of the PRC. CNR made an initial public offering of 2,500,000,000 A shares which were listed on the SSE on 29 December 2009. CNR issued 2,020,056,303 A Shares to all A shareholders of CNR as at 24 February 2012 in the proportion of 2.5 shares for every 10 shares. 1,821,200,000 H shares of CNR were listed on the Main Board of the HKSE on 22 May 2014. On 13 June 2014 CNR exercised the Over-allotment Option of H shares and issued 118,524,000 H shares additionally.

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

On 1 June 2015, the name of the Company was changed from “CSR Corporation Limited 中國南車股份有限公司” to “CRRC Corporation Limited 中國中車股份有限公司” (“CRRC” or “the Company”).

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

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

The condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKSE and with International Accounting Standard 34, Interim Financial Reporting (the “IAS 34”).

Business Combination of Entities and Business under Common Control

The merger between CSR and CNR is considered to be a business combination of entities under common control as their respective ultimate holding companies are both under the common control of the State-owned Assets Supervision and Administration Commission of the State Council (“SASAC”).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

2. CHANGE OF THE BAD DEBT PROVISION OF RECEIVABLES

After the merger of CSR and CNR, CRRC has aligned the aging analysis classification and unified its percentage of accounting estimate of bad debt provision by making reference to the recent years' trend of railway transportation industry, changes in existing operational and customers' credit and exposure profile and benchmark to comparable public companies' common practice. This resulted in an increase of profit appropriately RMB105,916,000.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB") that are relevant for the preparation of the Group's condensed consolidated financial statements:

- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions;*
- Amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle
- Amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle

The application of the above new and revised IFRSs in the current interim period has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

In addition, to align the accounting policies of the Group and CNR, since the 2015 Business Combination is accounted for as a business combination of entities under common control, the Group has restated all its 2014 interim comparative amounts as if the merger had been completed on the earlier date of the periods being presented, i.e. 1 January 2014, the accounting policies newly applied are set out as below:

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual values using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Investment property is transferred to owner-occupied property when there is a change in use evidenced by the ending of an operating lease and the commencement of owner occupation. Owner-occupied property is transferred to investment property when there is a change in use evidenced by the ending of owner occupation and the commencement of an operating lease.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design.

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the condensed consolidated statement of financial position, as a liability, under "Other payables and accruals". Amounts billed for work performed but not yet paid by the customer are presented in the condensed consolidated statement of financial position as "Amounts due from customers for contract work".

4. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

For management purposes, the Group's operating activities are attributable to a single operating segment, focusing on provision of rolling stock products and services as well as other businesses that utilise proprietary rolling stock technologies. Therefore, no analysis by operating segment is presented.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

5. REVENUE, OTHER INCOME AND GAINS AND LOSSES

Revenue mainly represents the net invoiced value of goods sold, after allowance for returns and trade discounts, and excludes sales taxes and intra-group transactions.

An analysis of revenue, other income and gains is as follows:

Six months ended 30 June		
	2015 RMB'000	2014 RMB'000 (Restated)
Revenue		
Sales of goods and services	91,479,704	86,240,186
Interest income arising from Finance Companies	323,542	169,248
Fee and commission income	13,048	750
	91,816,294	86,410,184
Other income		
Government grants	243,148	437,069
Interest income from banks	271,399	139,215
Value-added tax refunds	49,985	77,886
Profit from sales of scrap materials	20,535	24,328
Rental of items of properties	123,785	336,278
Dividend income	5,814	2,465
Technical service income	41,265	85,600
	755,931	1,102,841
Other gains and losses		
Gain arising on change in fair value of financial instruments designated as at fair value through profit or loss	—	333
Gain (loss) on fair value change of derivative financial instrument	680	(2,903)
Loss on disposal of property, plant and equipment	(5,164)	(64,661)
Gain on disposal of lease prepayments	4,406	507
Gain on disposal of available-for-sale investments	188,277	—
Net foreign exchange gain (loss)	145,913	(52,180)
Loss on disposal of a subsidiary (Note 26)	(7,702)	(559)
Gain on disposal of a joint venture	—	17,224
Gain on adjustment of fair value of previously held interest	55,108	—
Provision of onerous contracts	(6,893)	(109,907)
Others	26,337	(37,050)
	400,962	(249,196)
	1,156,893	853,645



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000 (Restated)
Cost of inventories sold (Note)	72,309,769	69,762,154
Depreciation of items of property, plant and equipment	2,385,531	2,129,781
Amortisation of prepaid lease prepayments	169,724	155,179
Amortisation of other intangible assets	237,614	131,312
Provision for warranties	1,414,213	929,977
Minimum lease payments under operating leases:		
Plant and machinery	215,709	71,864
Land and buildings	104,909	75,358
Research and development costs	3,771,514	3,199,636
Less: amount capitalised	(73,530)	(1,135)
	3,697,984	3,198,501
Included in other expenses, net:		
Impairment of trade receivables	408,610	571,265
Impairment (reversal) of prepayments, deposits and other receivables	(64,676)	(21,768)
Impairment of property, plant and equipment	32,337	1,865
Impairment (reversal) of other non-current assets	2,246	(908)
	378,517	550,454

Note: Provision against obsolete inventories amounted to RMB153,223,000 during the period (six months ended 30 June 2014: RMB169,846,000) and was included in "Cost of sales" on the condensed consolidated statement of profit or loss and other comprehensive income.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

7. FINANCE COSTS

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000 (Restated)
Interest on borrowings wholly repayable within five years	668,412	1,100,190
Interest on borrowings wholly repayable beyond five years	25	—
Interest on bills discounted	18,876	457
Interest on finance lease	7,576	427
Less: Interest capitalised in construction in progress	(110,105)	(143,728)
Total	584,784	957,346

8. INCOME TAX EXPENSE

The major components of income tax expense included in profit or loss are:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000 (Restated)
Current tax charge comprises		
PRC enterprise income tax	1,407,109	1,253,012
Hong Kong Profits Tax	64,427	19
Other jurisdictions	9,990	4,263
	1,481,526	1,257,294
Deferred tax credit	(152,274)	(149,383)
	1,329,252	1,107,911

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% is applied to the Group, except for certain subsidiaries which were either exempted from tax or entitled to different preferential tax rates during the years. Certain subsidiaries of the Company are entitled to the preferential tax rate of 15% (six months ended 30 June 2014: 15%) because they are recognised as the high and new technology enterprises by the local governments in the PRC.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the period.

Taxation arising in the jurisdictions other than the PRC and Hong Kong is calculated at rates prevailing in the relevant jurisdictions.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

9. DIVIDENDS

Dividends recognised as distribution during the period:

Six months ended 30 June	
2015 RMB'000	2014 RMB'000 (Restated)
Dividend paid:	
RMB0.09 per share by the Company	— 1,242,270
RMB0.20 per share by CNR	— 2,064,011
	— 3,306,281

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

10. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2015 and for the six months ended 30 June 2014 were computed by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the periods, as adjusted by the number of ordinary shares in issue had the 2015 Business Combination been completed on 1 January 2014.

Diluted earnings per share for the six months ended 30 June 2015 and for the six months ended 30 June 2014 were computed by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the periods, as adjusted by the number of ordinary shares in issue had the 2015 Business Combination been completed on 1 January 2014, after adjusting for the effects of the dilutive potential ordinary shares.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

10. EARNINGS PER SHARE *(continued)*

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

		Six months ended 30 June	
		2015 RMB'000	2014 RMB'000 (Restated)
Earnings			
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)		4,698,880	4,397,565
		Six months ended 30 June	
		2015 '000 shares	2014 '000 shares (Restated)
Weighted average number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share		27,288,758	25,609,660
Effect of dilutive potential ordinary shares for share options		—	3,455
Weighted average number of ordinary shares for the purpose of diluted earnings per share		27,288,758	25,613,115

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment approximately RMB1,583,476,000 (six months ended 30 June 2014: RMB531,149,000), including RMB1,011,197,000 (six months ended 30 June 2014: Nil) through acquisition of a subsidiary.

In addition, the Group incurred costs for construction in progress of RMB2,426,585,000 (six months ended 30 June 2014: RMB3,208,944,000).

In addition, during the current interim period, property, plant and equipment with a net book value of approximately RMB135,791,000 (six months ended 30 June 2014: RMB125,779,000) were disposed of by the Group which resulted in a net loss on disposal of approximately RMB5,164,000 (six months ended 30 June 2014: net loss on disposal of approximately RMB64,661,000).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES *(continued)*

The amount of borrowing costs capitalised during the six months ended 30 June 2015 was approximately RMB107,630,000 (six months ended 30 June 2014: RMB135,101,000). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 4.27%-7.00% (six months ended 30 June 2014: 2.75%-7.04%).

Property, plant and equipment with an aggregate carrying amount of RMB50,625,000 (31 December 2014: RMB51,612,000) are pledged for acquiring bank borrowings.

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying amount of RMB8,642,461,000 (31 December 2014: RMB7,982,319,000) at 30 June 2015. The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these buildings.

12. PREPAID LEASE PAYMENTS

The leasehold lands are held under medium term leases and are situated in the PRC, except for the leasehold lands with a carrying amount of RMB9,101,000 (31 December 2014: RMB9,960,000) are located in the Malaysia. Land use rights with carrying amount of RMB1,073,868,000 (31 December 2014: RMB1,081,482,000) located in the PRC which the Group is in the process of obtaining the land use right certificates. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

13. OTHER NON-CURRENT ASSETS

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Deposits for acquisition of land use rights	1,534,338	1,663,134
Long-term prepaid expenses	134,214	96,656
Deposits for acquisition of property, plant and equipment	1,284,064	1,078,074
Indemnifications from direct insurance	81,859	88,209
Long-term receivables	10,532,597	11,302,511
Others	1,295,791	1,140,863
	14,862,863	15,369,447



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

14. INVENTORIES

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Cost, net of provision		
Raw materials	23,722,604	21,803,477
Work in progress	36,949,920	26,511,200
Finished goods	13,913,241	11,313,652
	74,585,765	59,628,329

15. TRADE RECEIVABLES

The Group generally requires its customers to make payment before or upon delivery, however, the Group granted certain credit period to those long standing customers with bulk purchase and good payment history. In the opinion of the directors, the Group has effectively granted an average credit period of around six months to the customers after taking into account the practice of the industry in which the Group conducted its business.

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Trade receivables	70,080,304	61,851,546
Less: allowance for doubtful debts	(3,975,067)	(3,427,827)
	66,105,237	58,423,719

An aged analysis of the trade receivables as at the condensed consolidated statement of financial position date based on the invoice date and net of provision for impairment of receivables, is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Within 6 months	41,928,113	43,545,220
6 months to 1 year	16,205,846	7,759,022
Over 1 year	7,971,278	7,119,477
	66,105,237	58,423,719

The amounts due from the related parties of the Group are included in Note 28.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Prepayments	10,583,221	10,846,376
Deposits and other receivables	10,898,027	9,731,749
Less: allowance for doubtful debts	(722,538)	(818,463)
	20,758,710	19,759,662

An analysis of prepayments, deposits and other receivables is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Prepayments	10,299,107	10,567,921
Other receivables	3,990,077	2,934,948
Dividends receivable	33,660	21,434
Interest receivables	35,466	63,482
Long-term receivables due within one year	3,538,939	3,791,311
Value added tax recoverables	1,977,460	1,501,300
Others	884,001	879,266
	20,758,710	19,759,662

The amounts due from the related parties included in the prepayments, deposits and other receivables can be analysed in Note 28.

17. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Contract costs incurred plus recognised profits less		
Recognised losses in connection with		
construction contracts in progress	1,375,565	758,806
Less: progress billings	(1,177,768)	(720,732)
Gross amounts due from customers for contract work	197,797	38,074



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

18. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

Cash and cash equivalents are comprised of the following:

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Cash and bank balances	34,637,588	48,896,212
Less: Pledged bank deposits	(4,342,126)	(5,265,909)
Cash and bank balances in the condensed consolidated statement of financial position	30,295,462	43,630,303
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(3,254,640)	(6,596,117)
Cash and cash equivalents in the condensed consolidated statement of cash flows	27,040,822	37,034,186

Pledged bank balances represented balances pledged to banks for the issuance of the Group's bills payable and letters of credit, and for the grant of bank loans to the Group.

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

19. TRADE PAYABLES

An aged analysis of trade payables as at the condensed consolidated statement of financial position date, based on the invoice date, is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Within 6 months	68,794,797	61,920,634
6 months to 1 year	8,042,520	6,320,673
Over 1 year	3,731,003	3,148,333
	80,568,320	71,389,640

The amounts due to the related parties of the Group included in trade payables can be analysed in Note 28.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

20. BILLS PAYABLE

The maturity profile of the bills payable of the Group at the end of the reporting period is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Within 6 months	17,764,610	20,407,678
6 months to 1 year	390,569	1,143,789
	18,155,179	21,551,467

The amounts due to the related parties of the Group included in bills payable can be analysed in Note 28.

21. OTHER PAYABLES AND ACCRUALS

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Other payables	7,172,844	6,567,461
Advances from customers	31,282,766	35,903,699
Accruals	3,543,554	5,082,840
	41,999,164	47,554,000

The amounts due to the related parties included in other payables, advances from customers and accruals can be analysed in Note 28.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

22. BORROWINGS

	30 June 2015			31 December 2014		
	Effective interest rate per annum (%)	Maturity	RMB'000	Effective interest rate per annum (%)	Maturity	RMB'000 (Restated)
Current						
Bank loans						
– Secured	1.20-7.25	2015-2016	770,295	6.00-7.25	2015	1,218,966
– Unsecured	1.25-6.72	2015-2016	17,816,246	0.06-6.36	2015	6,237,620
Short-term bonds						
– Unsecured	3.00-3.70	2015	6,991,883	4.60-5.50	2015	16,988,892
Other loans						
– Secured	10.00	2015	8,000	3.00-10.00	2015	84,710
– Unsecured	4.24-5.04	2016	45,000	5.04-6.30	2015	804,980
Current portion of long-term bank loans						
– Secured	0.20-6.22	2015	59,762	0.03-6.22	2015	343,763
– Unsecured	4.20-6.55	2015	1,326,034	4.20-6.90	2015	1,694,174
Current portion of other loans						
– Secured	5.00	2015	1,037	–	–	–
– Unsecured	Interest free	2015	2,000	Interest free	2015	2,000
			<u>27,020,257</u>			<u>27,375,105</u>
Non-current						
Bank loans						
– Secured	0.20-6.22 Interest	2016-2035	2,422,938	0.03-6.22 Interest	2016-2035	1,625,898
– Unsecured	free-6.55	2016-2039	1,976,255	free-6.90	2016-2039	2,160,502
Long-term bonds						
– Unsecured	4.70-6.20	2017-2023	7,678,532	4.70-6.20	2017-2023	7,674,564
Other loans						
– Secured	5.00	2016	793	3.20	2016	5,000
– Unsecured	4.82-5.04	2017-2018	1,049,970	5.04	2017	750,000
			<u>13,128,488</u>			<u>12,215,964</u>
			<u>40,148,745</u>			<u>39,591,069</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

23. SHARE CAPITAL

	Notes	Number of shares '000 shares	Amount RMB'000
Registered capital			
– A shares of RMB1.00 each		22,917,692	22,917,692
– H shares of RMB1.00 each		4,371,066	4,371,066
		27,288,758	27,288,758
Issued and fully paid			
At 1 January 2014 and 31 December 2014			
– A shares of RMB1.00 each		11,779,000	11,779,000
– H shares of RMB1.00 each		2,024,000	2,024,000
		13,803,000	13,803,000
Issue of H shares on the Main Board of the HKSE on 26 May 2015	1	2,347,066	2,347,066
Issue of A shares on the Main Board of the SSE on 28 May 2015	2	11,138,692	11,138,692
At 30 June 2015			
– A shares of RMB1.00 each		22,917,692	22,917,692
– H shares of RMB1.00 each		4,371,066	4,371,066
		27,288,758	27,288,758
		30 June 2015 RMB'000	31 December 2014 RMB'000
Shown in the condensed consolidated statement of financial position		27,288,758	13,803,000

Note 1:

Pursuant to a special resolution passed at the first CSR extraordinary general meeting of 2015, the first CSR H shareholders' class meeting of 2015, the first CNR extraordinary general meeting of 2015 and the first CNR H shareholders' class meeting of 2015 held on 9 March 2015, the Company issued 2,347,066,000 ordinary shares of RMB1.00 each at a price of HKD15.00 per share with fair value or total price of approximately RMB27,780,695,000 on 26 May 2015 in exchange for the entire issued H share capital of CNR.

Note 2:

Pursuant to a special resolution passed at the first CSR extraordinary general meeting of 2015, the first CSR A shareholders' class meeting of 2015, the first CNR extraordinary general meeting of 2015 and the first CNR A shareholders' class meeting of 2015 held on 9 March 2015, the Company issued 11,138,692,000 ordinary shares of RMB1.00 each at a price of RMB29.45 per share with fair value or total price of approximately RMB328,034,488,000 on 28 May 2015 in exchange for the entire issued A share capital of CNR.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

24. SHARE-BASED PAYMENT TRANSACTIONS

The expense reversing the share option scheme for the six months ended 30 June 2015 and 2014 is as follows:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000 (Restated)
Equity-settled share option expense	(47,153)	(47,663)

- (i) In March 2011, the Company submitted a share option scheme to the China Securities Regulatory Commission, and there was no dissent. On 26 April 2011, the share option scheme was approved by the 2011 first extraordinary general meeting. Then the Company adopted an A share option scheme ("2011 Share Option Scheme") for the purpose of providing incentives to eligible participants, and eligible participants of the 2011 Share Option Scheme included the directors, senior management (independent non-executive directors excluded), and key technical personnel and management personnel who have direct contribution to the performance and continuing development of the subsidiaries and the associates.

On 27 April 2011, the board of the directors of the Company granted 36,605,000 share options to the participants under the 2011 Share Option Scheme to subscribe for 36,605,000 A shares of par value RMB1.00 each of the Company pursuant to the resolution of the general meeting. The number of the share options granted doesn't exceed 1% of the total number of A shares in issue, and the share options granted has a validity period of seven years, commencing from the grant date determined by the board of the directors of the Company. Subject to fulfillment of all effective conditions under the 2011 Share Option Scheme and after the expiry of the two-year lock-up period from the grant date, the share options shall become exercisable in three batches according to the following effective arrangements:

	Maximum percentage exercisable	Period for vesting of the relevant percentage of the option
Lot 1:	1/3 of the total Share Options granted	From the first trading day after the expiration of the 24-month period following the grant date to the last trading day preceding the expiration of the 60-month period following the grant date
Lot 2:	1/3 of the total Share Options granted	From the first trading day after the expiration of the 36-month period following the grant date to the last trading day preceding the expiration of the 72-month period following the grant date
Lot 3:	1/3 of the total Share Options granted	From the first trading day after the expiration of the 48-month period following the grant date to the last trading day preceding the expiration of the 84-month period following the grant date



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

24. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

(i) *(continued)*

The share options granted but not yet effective shall lapse forthwith and shall be cancelled by the Company.

The exercise price is the price at which the Company entitled the participants of the 2011 Share Option Scheme to subscribe for each share of the underlying stock. The exercise price was determined at the higher of the closing price of the A shares on the trading day immediately preceding the date of the 2011 Share Option Scheme Announcement and the average closing price of the A shares for the 30 trading days immediately preceding the date of the 2011 Share Option Scheme Announcement, which was RMB5.43 per share.

The fair value of the share options granted in 2011 is RMB151,010,000. Due to the forfeiture of the third batch of the vesting share options in the current period, the Group reversed the relevant cost recorded in the previous year by RMB47,153,000.

The validity period of the third batch of the vesting share options was from the first trading day of 48 months after the grant date to the last trading day of 84 months after the grant date. The vesting period became due on 26 April 2015. As the performance of the year 2014 did not meet the revenue growth requirement (the year growth rate of revenue not lower than 25%), the share options expired. Up to the date of 30 June 2015, all share options expired.

(ii) Prior to the 2015 Business Combination on 28 May 2015, "China CNR Corporation Limited Share Option Scheme" ("2012 Share Option Scheme") which was effective from 1 November 2012 was approved at the general meeting on 26 October 2012. The eligible participants of the 2012 Share Option Scheme included the directors, senior management (independent non-executive directors and supervisors excluded), and key technical personnel and management personnel who have direct contribution to the performance and continuing development of CNR and its subsidiaries ("CNR Group").

CNR granted 85,333,500 share options to the participants under the 2012 Share Option Scheme to subscribe for 85,333,500 shares. The number of the share options granted accounted for 0.83% of the total number of shares in issue, and have a validity period of seven years. The share option granted shall become exercisable in three batches after the expiry of the two-year lock-up period from the grant date according to the following effective arrangements:

	Maximum percentage exercisable	Period for vesting of the relevant percentage of the option
Lot 1:	33% of the total Share Options granted	The first trading day after the expiration of the 24-month/2-year period following the grant day
Lot 2:	33% of the total Share Options granted	The first trading day after the expiration of the 36-month/3-year period following the grant date
Lot 3:	34% of the total Share Options granted	The first trading day after the expiration of the 48-month/4-year period following the grant date

The share options granted but not yet effective shall lapse forthwith and shall be cancelled by CNR.

According to the 2012 Share Option Scheme, the eligible participants have the right to subscribe the share option at RMB4.34 per share. On 26 August 2013, the exercise price of the share option was modified to RMB4.24 per share which was approved by the board of directors. On 29 August 2014, the exercise price of the share option, was modified to RMB4.04 per share which was approved by the board of directors.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

24. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

(ii) *(continued)*

As the performance of CNR did not meet the growth rate of the revenue under the 2012 Share Option Scheme, the first and second batch of share options did not become effective. Pursuant to relevant terms and requirements under the 2012 Share Option Scheme, such share options not becoming effective lapsed forthwith and were forfeited as at 31 December 2014. In addition, the third batch of share options has been terminated due to the 2015 Business Combination.

The change of share options of the Group in the current period is as follow:

	Six months ended 30 June 2015 Number	Year ended 31 December 2014 Number (Restated)
Outstanding at the beginning of the period/year	11,766,546	109,736,833
Forfeited during the period/year	(11,766,546)	(68,956,897)
Cancelled during the period/year	—	(29,013,390)
Outstanding at the end of the period/year	—	11,766,546

25. BUSINESS COMBINATION

25.1 Acquisitions from independent third parties

(1) Bombardier Qingdao

As at 1 January 2015, the Company's subsidiary CSR Sifang Co., Ltd. ("Sifang Co") obtained control of Bombardier Sifang (Qingdao) Transportation Ltd. ("Bombardier Qingdao") pursuant to the amendments to the Articles of association of Bombardier Qingdao. Bombardier Qingdao was previously a joint venture of Sifang Co.

There is no active market for net identifiable assets of Bombardier Qingdao, the Group engaged the independent appraisers Beijing Huaxinzhonghe Assets Appraisal Co., Ltd. to perform the fair value assessment. Up to the date of approval for issuance of the condensed consolidated financial statements, the assessment had not finished yet. The fair value of the net identifiable assets of Bombardier Qingdao was presented under the provisional assessment results of the Beijing Huaxinzhonghe Assets Appraisal Co., Ltd. and it would be adjusted pursuant to the final assessment results.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

25. BUSINESS COMBINATION (continued)

25.1 Acquisitions from independent third parties (continued)

(1) Bombardier Qingdao (continued)

	Fair value RMB'000 (provisional)
Net assets acquired:	
Property, plant and equipment	981,939
Prepaid lease payments	221,068
Other intangible assets	939,122
Deferred tax assets	261,473
Inventories	5,107,110
Trade receivables	1,049,414
Bill receivables	220,944
Prepayments, deposits and other receivables	1,600,693
Cash and cash equivalents	587,330
Non-pledged time deposits with original maturity of three months or more when acquired	1,407,959
Trade payables	(1,055,508)
Bills payable	(290,168)
Other payables and accruals	(6,851,301)
Tax payable	(19,404)
Provision for warranties	(677,686)
Deferred tax liabilities	(46,649)
Other non-current liabilities	(585,300)
	2,851,036
Consideration transferred	—
Plus: Non-controlling interests (50%)	1,425,518
Fair value of previously held interest	1,425,518
Less: net assets acquired	(2,851,036)
Goodwill arising on acquisition	—

Acquisition-related costs relating to the above acquisition are immaterial and have been excluded from the cost of acquisitions and recognised directly as administrative expenses in the condensed consolidated statement of profit or loss and other comprehensive income.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

25. BUSINESS COMBINATION *(continued)*

25.1 Acquisitions from independent third parties *(continued)*

(1) Bombardier Qingdao *(continued)*

Non-controlling interests

The non-controlling interests in Bombardier Qingdao recognised at the acquisition date were measured by reference to the proportionate share of recognised amounts of net assets of Bombardier Qingdao and amounted to RMB1,425,518,000.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

An analysis of the cash flow in respect of the acquisition of the above subsidiary is as follows:

	RMB'000
Consideration paid in cash	—
Less: Cash and cash equivalents	(587,330)
Net inflow of cash and bank balances included in cash flows from the acquisition of subsidiaries	<u>587,330</u>

Included in the profit for the period ended 30 June 2015 was a profit of RMB241,744,000 attributable to Bombardier Qingdao. Revenue for the period ended 30 June 2015 included RMB4,203,222,000 attributable to Bombardier Qingdao.

(2) SMD Group

On 5 February 2015, the Company's subsidiary, Zhuzhou CSR Times Electric Co., Ltd. ("ZTE") entered into an agreement with shareholders of Specialist Machine Developments (SMD) Limited ("SMD Limited") and its subsidiary, Specialist Machine Developments (Investment) Limited ("SMD Investment"). According to the agreement, ZTE will acquire 100% equity interest of SMD Limited, as well as 100% equity interest of Bywell Holdings Limited and its subsidiaries via SMD Investment ("SMD Group"), at a cash consideration of GBP108,300,000 (equivalent to approximately RMB1,011,879,000). ZTE obtained control of SMD Group on 9 April 2015 and the transaction was accounted for as business combination using the acquisition method.

If the profits of the first and the second fiscal year of SMD Group after the completion of the acquisition meet certain performance targets stipulated under the agreement, the Company shall pay additional consideration from the retention amount not exceeding GBP10,100,000; Furthermore, if the profits of the first and the second fiscal year of SMD Group as agreed by the Company and the sellers after the completion of the acquisition meet certain more stringent performance targets stipulated under the agreement, ZTE shall pay certain additional contingent amount up to GBP7,000,000.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

25. BUSINESS COMBINATION *(continued)*

25.1 Acquisitions from independent third parties *(continued)*

(2) SMD Group *(continued)*

Type of subsidiaries	Place of incorporation	Nature of business	Business scope
Limited liability company	England and Wales	Manufacturing	Designing and manufacturing the remotely operated vehicles, trenching and mining machinery operating in deepsea or other hazardous environments.

There is no active market for net identifiable assets of SMD Group, the Group engaged the independent appraisers KPMG Advisory (China) Ltd. to perform the fair value assessment. Up to the date of approval for issuance of the condensed consolidated financial statements, the assessment had not finished yet. The fair value of the net identifiable assets of SMD Group was presented under the provisional assessment results of the KPMG Advisory (China) Ltd. and it would be adjusted pursuant to the final assessment results.

	Fair value RMB'000 (provisional)
Net assets acquired:	
Property, plant and equipment	58,577
Other intangible assets	414,033
Deferred tax assets	583
Interests in joint ventures	2,497
Inventories	212,281
Trade receivables	115,694
Prepayments, deposits and other receivables	21,818
Cash and bank balances	10,413
Trade payables	(170,639)
Other payables and accruals	(26,786)
Tax payable	(4,448)
Other non-current liabilities - current portion	(7,243)
Deferred tax liabilities	(84,597)
	542,183
Consideration transferred	1,098,531
Plus: non-controlling interests	—
Less: net assets acquired	(542,183)
Goodwill arising on acquisition	556,348
Satisfied by:	
Cash and cash equivalents	1,085,220
Other non-current liabilities - current portion	13,311
	1,098,531



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

25. BUSINESS COMBINATION (continued)

25.1 Acquisitions from independent third parties (continued)

(2) SMD Group (continued)

Acquisition-related costs relating to the above acquisition are RMB8,230,000 and have been excluded from the cost of acquisitions and recognised directly as administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The receivables acquired (primarily comprised of trade receivables and other receivables) with a fair value of RMB115,694,000 at the date of acquisition had gross contractual amounts of RMB115,694,000. The whole amount was expected to be collectible at the acquisition day.

Goodwill arose on the above acquisitions because of the costs of the combinations. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquirees. These benefits are not recognised separately from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or collectively.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

An analysis of the cash flow in respect of the acquisition of the above subsidiary is as follows:

	RMB'000
Consideration paid in cash	1,085,220
Less: Cash and bank balances acquired	10,413
Net outflow of cash and bank balances included in cash flows from the acquisition of subsidiaries	1,074,807

Included in the profit for the six months ended 30 June 2015 was a loss of RMB17,059,000 attributable to SMD Group. Revenue for the six months ended 30 June 2015 includes RMB101,464,000 attributable to SMD Group.

Had the acquisition of SMD Group been completed on 1 January 2015, total group revenue for the six months ended 30 June 2015 would have been approximately RMB91,952,556,000 and profit for the six months ended 30 June 2015 would have been approximately RMB5,608,979,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2015, nor is it intended to be a projection of future results.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

25. BUSINESS COMBINATION *(continued)*

25.2 Business combination under common control

(1) Acquisition during the six months ended 30 June 2015

CSR and CNR published a joint announcement on 30 December 2014, announcing that the two companies entered into a merger agreement with respect to the merger proposal. CSR would merge CNR by absorption by CSR issuing, on the basis of a single exchange ratio, CSR A shares and CSR H shares to holders of CNR A shares and CNR H shares respectively in exchange for all of the issued shares of CNR. On 28 May 2015, the Company has accomplished the 2015 Business Combination.

As CSR and CNR were under common control before and after the 2015 Business Combination, the acquisition is considered as a combination of business under common control. The principle of merger accounting for business combination involving entities under common control has therefore been applied, pursuant to which the condensed consolidated financial statements of the Group have been prepared as if CNR have been subsidiaries of the Company since their commencement of operation. Accordingly, the assets and liabilities of CNR have been accounted for at carrying amounts in the books of the Group and the condensed consolidated financial statements of the Group prior to this acquisition have been restated to include the results of operations and cash flows on a combined basis. The consideration has been accounted for as an equity transaction in the condensed consolidated statement of changes in equity. Respective notes to the condensed consolidated financial statements have also been restated. All significant intra-group transactions, balances, income and expense are eliminated on combination.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

25. BUSINESS COMBINATION *(continued)*

25.2 Business combination under common control *(continued)*

(1) Acquisition during the six months ended 30 June 2015 *(continued)*

As a result of the acquisition of CNR, the relevant line items in the condensed consolidated statement of financial position at 31 December 2014 and the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2014 have been restated as follows:

	The Group (as previously reported) RMB'000	CNR Group RMB'000	Eliminations RMB'000	The Group (Restated) RMB'000
Condensed consolidated statement of financial position as at 31 December 2014:				
Property, plant and equipment	28,827,564	29,865,949	(478)	58,693,035
Investment properties	—	74,210	—	74,210
Prepaid lease payments - non-current portion	4,678,027	8,860,116	—	13,538,143
Goodwill	763,868	13,557	—	777,425
Other intangible assets	1,147,889	767,698	(180)	1,915,407
Interests in joint ventures	1,741,187	1,147,438	—	2,888,625
Interests in associates	873,588	1,051,370	—	1,924,958
Available-for-sale investments - non-current portion	972,453	117,451	(67,898)	1,022,006
Deferred tax assets	1,153,124	774,521	—	1,927,645
Other non-current assets	6,586,877	8,782,821	(251)	15,369,447
Prepaid lease payments - current portion	130,305	204,664	—	334,969
Inventories	30,663,146	28,965,494	(311)	59,628,329
Trade receivables	33,541,848	25,689,985	(808,114)	58,423,719
Bills receivable	6,693,741	2,275,811	(89,532)	8,880,020
Prepayments, deposits and other receivables	9,979,964	9,853,039	(73,341)	19,759,662
Financial assets at fair value through profit or loss	6	4,381	—	4,387
Amounts due from customers for contract work	—	38,074	—	38,074
Tax recoverable	69,714	81,497	—	151,211
Pledged bank deposits	2,748,993	2,516,916	—	5,265,909
Cash and bank balances	15,563,015	28,067,288	—	43,630,303
Others	4,429,700	—	—	4,429,700
Total assets	150,565,009	149,152,280	(1,040,105)	298,677,184



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

25. BUSINESS COMBINATION *(continued)*

25.2 Business combination under common control *(continued)*

(1) Acquisition during the six months ended 30 June 2015 *(continued)*

	The Group (as previously reported) RMB'000	CNR Group RMB'000	Eliminations RMB'000	The Group (Restated) RMB'000
Trade payables	38,235,379	33,965,949	(811,688)	71,389,640
Bills payable	12,419,349	9,221,650	(89,532)	21,551,467
Other payables and accruals	29,009,634	18,614,132	(69,766)	47,554,000
Financial liabilities at fair value through profit or loss	—	1,000	—	1,000
Borrowings - due within one year	3,175,766	24,199,339	—	27,375,105
Retirement benefit obligations - current portion	170,261	221,074	—	391,335
Tax payable	730,216	580,202	—	1,310,418
Due to customers	135,588	876,881	—	1,012,469
Provision for warranties - current portion	1,310,265	641,518	—	1,951,783
Government grants - current portion	192,852	9,146	—	201,998
Borrowings - due after one year	7,282,443	4,933,521	—	12,215,964
Long-term payables	235,010	4,206	—	239,216
Retirement benefit obligations - non-current portion	2,000,961	2,200,014	—	4,200,975
Government grants - non-current portion	1,742,675	3,033,605	—	4,776,280
Deferred tax liabilities	116,811	336	—	117,147
Others	2,286,070	—	—	2,286,070
Total liabilities	99,043,280	98,502,573	(970,986)	196,574,867
Net assets	51,521,729	50,649,707	(69,119)	102,102,317
Equity attributable to equity shareholders of the Company	40,510,531	48,794,117	(30,836)	89,273,812
Non-controlling interests	11,011,198	1,855,590	(38,283)	12,828,505
Total equity	51,521,729	50,649,707	(69,119)	102,102,317



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

25. BUSINESS COMBINATION *(continued)*

25.2 Business combination under common control *(continued)*

(1) Acquisition during the six months ended 30 June 2015 *(continued)*

	The Group (as previously reported) RMB'000	CNR Group RMB'000	Eliminations RMB'000	The Group (Restated) RMB'000
Condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2014:				
Revenue	50,165,177	38,005,202	(1,760,195)	86,410,184
Cost of sales	(40,793,022)	(30,755,569)	1,786,437	(69,762,154)
Gross profit	9,372,155	7,249,633	26,242	16,648,030
Profit for the period	2,626,035	2,398,694	(1,525)	5,023,204
Other comprehensive income, net of income tax	(24,851)	(17,836)	9,532	(33,155)
Total comprehensive income for the period	2,601,184	2,380,858	8,007	4,990,049



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

25. BUSINESS COMBINATION *(continued)*

25.2 Business combination under common control *(continued)*

(1) Acquisition during the six months ended 30 June 2015 *(continued)*

	The Group (as previously reported) RMB'000	CNR Group RMB'000	Eliminations RMB'000	The Group (Restated) RMB'000
Condensed consolidated statement of financial position as at 1 January 2014:				
Property, plant and equipment	25,701,400	27,891,756	(311)	53,592,845
Investment properties	—	84,265	—	84,265
Prepaid lease payments - non-current portion	4,444,950	8,678,862	—	13,123,812
Goodwill	61,386	13,557	—	74,943
Other intangible assets	743,799	639,805	(200)	1,383,404
Interests in joint ventures	2,116,311	944,177	—	3,060,488
Interests in associates	837,306	1,040,052	—	1,877,358
Available-for-sale investments - non-current portion	708,842	134,096	(55,689)	787,249
Deferred tax assets	589,395	451,337	—	1,040,732
Other non-current assets	3,383,116	9,260,786	—	12,643,902
Prepaid lease payments - current portion	105,428	290,812	—	396,240
Inventories	17,969,922	18,636,789	(480)	36,606,231
Trade receivables	34,403,110	30,384,966	(834,099)	63,953,977
Bills receivable	6,144,132	1,534,300	(95,929)	7,582,503
Prepayments, deposits and other receivables	7,949,113	10,823,766	(2,395)	18,770,484
Financial assets at fair value through profit or loss	10,989	4,907	—	15,896
Amounts due from customers for contract work	—	3,369	—	3,369
Tax recoverable	46,387	9,269	—	55,656
Pledged bank deposits	1,496,002	1,084,981	—	2,580,983
Cash and bank balances	14,974,222	8,247,065	—	23,221,287
Others	730,000	—	—	730,000
Total assets	122,415,810	120,158,917	(989,103)	241,585,624



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

25. BUSINESS COMBINATION *(continued)*

25.2 Business combination under common control *(continued)*

(1) Acquisition during the six months ended 30 June 2015 *(continued)*

	The Group (as previously reported) RMB'000	CNR Group RMB'000	Eliminations RMB'000	The Group (Restated) RMB'000
Trade payables	32,115,482	28,024,625	(818,123)	59,321,984
Bills payable	13,675,679	8,001,631	(95,929)	21,581,381
Other payables and accruals	12,625,265	15,643,750	(18,370)	28,250,645
Financial liabilities at fair value through profit or loss	—	1,201	—	1,201
Borrowings - due within one year	7,646,292	20,609,153	—	28,255,445
Retirement benefit obligations - current portion	139,430	247,518	—	386,948
Tax payable	501,942	521,657	—	1,023,599
Due to customers	33,157	422,190	—	455,347
Provision for warranties - current portion	595,196	535,900	—	1,131,096
Borrowings - due after one year	3,568,511	1,415,277	—	4,983,788
Long-term payables	—	31,206	—	31,206
Retirement benefit obligations - non-current portion	1,323,890	2,169,991	—	3,493,881
Government grants - non-current portion	1,815,329	2,968,000	—	4,783,329
Deferred tax liabilities	61,210	1,183	—	62,393
Others	1,531,711	—	—	1,531,711
Total liabilities	75,633,094	80,593,282	(932,422)	155,293,954
Net assets	46,782,716	39,565,635	(56,681)	86,291,670
Equity attributable to equity shareholders of the Company	37,130,521	37,780,342	(17,610)	74,893,253
Non-controlling interests	9,652,195	1,785,293	(39,071)	11,398,417
Total equity	46,782,716	39,565,635	(56,681)	86,291,670



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

25. BUSINESS COMBINATION *(continued)*

25.2 Business combination under common control *(continued)*

(2) Acquisition during the prior year

On 28 November 2014, CSR Guiyang Co., Ltd., a wholly-owned subsidiary of the Company, acquired the 36.79% equity interest of Guiyang Times Wharton Technology Co., Ltd. ("Times Wharton") held by CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. for a cash consideration of RMB495,619,000, as well as an extra cash consideration of RMB58,805,000, to swap the railway freight wagon business of South Huiton Co., Ltd. ("South Huiton"). On 31 December 2014, the Group completed the acquisition from South Huiton ("2014 Acquisition").

As the Group and South Huiton were under common control of CSR Group ("CSRG") before and after the 2014 Acquisition, the acquisition is considered as a combination of business under common control. The principle of merger accounting for business combination involving entities under common control has therefore been applied, pursuant to which the condensed consolidated financial statements of the Group have been prepared as if the railway freight wagon business of South Huiton have been subsidiaries of the Company since the beginning of year 2013.

As a result of the 2014 Acquisition, the relevant line items in the condensed consolidated statement of profit or loss and other comprehensive income for six months ended 30 June 2014 have been restated as follows:

	The Group (as previously reported) RMB'000	Railway freight wagon business RMB'000	Eliminations RMB'000	The Group (restated) RMB'000
Condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2014:				
Revenue	49,771,093	416,357	(22,273)	50,165,177
Cost of sales	(40,467,796)	(351,400)	26,174	(40,793,022)
Gross profit	9,303,297	64,957	3,901	9,372,155
Profit for the period	2,617,604	(8,818)	17,249	2,626,035
Other comprehensive income, net of income tax	(24,851)	—	—	(24,851)
Total comprehensive income for the period	2,592,753	(8,818)	17,249	2,601,184



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

26. DISPOSAL OF A SUBSIDIARY

On 28 February 2015, Sifang Co disposed of the 81% equity interest of a wholly-owned subsidiary, Qingdao Sifang Casting-forging Co., Ltd. at a cash consideration of RMB43,627,000.

	RMB'000
Consideration received in cash and cash equivalents	43,627

An analysis of assets and liabilities over which control was lost:

	Fair value RMB'000
Net assets disposed of Property, plant and equipment	127,240
Prepaid lease payments - non-current portion	6,504
Other non-current assets	3,371
Prepayments, deposits and other receivables	4,482
Inventories	32,166
Cash and bank balances	2,727
Trade payables	(4,918)
Other payables and accruals	(108,202)
	63,370

Loss on disposal of a subsidiary

	RMB'000
Consideration received	43,627
Net assets disposed of	(63,370)
Non-controlling interests (19%)	12,041
Loss on disposal	(7,702)

Net cash inflow on disposal of a subsidiary

	RMB'000
Consideration received in cash and cash equivalents	43,627
Less: cash and cash equivalent balances disposed of	(2,727)
	40,900



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

27. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Contracted, but not provided for:		
– Property, plant and equipment and prepaid lease payment	3,818,774	4,504,869
– Other intangible assets	16,595	19,417
	3,835,369	4,524,286
Authorised, but not contracted for:		
– Property, plant and equipment and prepaid lease payment	1,413,316	942,922
– Other intangible assets	33,750	—
	1,447,066	942,922

In addition, the Group's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Authorised, but not contracted for:		
– Investments in associates	265,997	81,897

(b) Other commitments

As at 30 June 2015, the Group's commitment for investment in setting up new entities amounted to RMB2,584,778,000 (31 December 2014: RMB510,208,000).

(c) Contingent liabilities

As at 30 June 2015 and 31 December 2014, the Group had no significant contingent liabilities.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

28. RELATED PARTY TRANSACTIONS

The group has entered into the following significant transactions with related parties during the six months ended 30 June 2015 and 2014:

		Six months ended 30 June	
		2015 RMB'000	2014 RMB'000 (Restated)
(a)	Purchase of materials and components from:		
	– CSRG and its subsidiaries (the “CSRG Group”)	86,446	51,662
	– China Northern Locomotive & Rolling Stock Industry (Group) Corporation (“CNRG”) and its subsidiaries (the “CNRG Group”)	48,704	54,266
	– Joint ventures	1,767,909	1,887,530
	– Associates	436,106	398,028
		2,339,165	2,391,486
(b)	Sale of goods to:		
	– CSRG Group	97,453	40,468
	– CNRG Group	21,346	21,265
	– Joint ventures	676,637	625,123
	– Associates	258,164	338,789
		1,053,600	1,025,645
(c)	Provision of service to:		
	– CSRG Group	5,650	3,678
	– Joint ventures	722	397
	– Associates	329	246
		6,701	4,321
(d)	Service fee:		
	– CSRG Group	3,948	2,651
	– CNRG Group	275	—
	– Joint ventures	288	262
	– Associates	1,649	—
		6,160	2,913



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

28. RELATED PARTY TRANSACTIONS (continued)

		Six months ended 30 June	
		2015 RMB'000	2014 RMB'000 (Restated)
(e)	Rental of property, plant and equipment from:		
	– CSRG Group	23,635	11,140
	– CNRG Group	8,817	15,162
		32,452	26,302
Rental of property, plant and equipment to:			
	– CSRG Group	265	—
(f)	Fee and commission income from:		
	– CSRG Group	2,815	936
(g)	Interest expense:		
	– CSRG Group	26,373	23,306
	– CNRG Group	37,774	15,742
		64,147	39,048

(h) Loans from related parties:

	Amount	Start date	Maturity date
Lender			
CSRG Group	45,210	20/1/2015	19/1/2018
CSRG Group	254,760	12/3/2015	11/3/2018
Borrower			
CSRG Group	20,000	22/1/2015	22/1/2017

		Six months ended 30 June	
		2015 RMB'000	2014 RMB'000 (Restated)
(i)	Purchase of property, plant and equipment from:		
	– CSRG Group	4,633	14,964



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

28. RELATED PARTY TRANSACTIONS (continued)

Six months ended 30 June	
	2015 RMB'000
	2014 RMB'000 (Restated)
(j) Sales of property, plant and equipment to:	
– CSRG Group	3,634
(k) Purchase of Intangible Assets from:	
– CSRG Group	2,322
(l) Purchase of non-controlling equity interest from:	
– CNRG Group	—
	109,433

(m) Outstanding balances with related parties

The Group had the following outstanding balances with related parties:

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
(i) Other non-current assets:		
– CNRG Group	—	7,891
– Joint ventures	53	—
– Associates	4,086	4,400
	4,139	12,291
(ii) Loans and advances to customers:		
– CSRG Group	100,000	80,000
(iii) Trade receivables:		
– CSRG Group	183,118	70,163
– CNRG Group	129,163	112,623
– Joint ventures	543,554	443,933
– Associates	407,768	291,486
	1,263,603	918,205
(iv) Bills receivable:		
– CSRG Group	761	—
– Joint ventures	2,000	—
– Associates	12,000	8,879
	14,761	8,879



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

28. RELATED PARTY TRANSACTIONS *(continued)*

(m) Outstanding balances with related parties *(continued)*

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
(v) Prepayments, deposits and other receivables:		
– CSG Group	3,989	1,939
– CNRG Group	14	—
– Joint ventures	30,412	7,532
– Associates	48,606	48,768
	83,021	58,239
(vi) Trade payables:		
– CSG Group	52,826	27,667
– CNRG Group	87,015	63,949
– Joint ventures	2,049,302	1,702,367
– Associates	261,351	93,569
	2,450,494	1,887,552
(vii) Bills payable:		
– CSG Group	500	11,970
– Joint ventures	40,747	41,550
– Associates	50,900	213,970
	92,147	267,490
(viii) Other payables and accruals:		
– CSG Group	149,819	280,175
– CNRG Group	83,355	84,487
– Joint ventures	450	5,097
– Associates	17,613	95,414
	251,237	465,173
(ix) Borrowings:		
– CSG Group	1,069,970	860,000
– CNRG Group	601,980	601,980
	1,671,950	1,461,980



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

28. RELATED PARTY TRANSACTIONS *(continued)*

(m) Outstanding balances with related parties *(continued)*

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
(x) Due to customers:		
– CSRG Group	63,541	135,550
– CNRG Group	691,862	876,881
– Associates	31	—
	755,434	1,012,431

(n) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000 (Restated)
Short-term employee benefits (equity-settled share option expenses excluded)		
– the Group	3,951	10,243
Post-employment benefits		
– the Group	313	286
Total compensation paid/payable to key management personnel		
– the Group	4,264	10,529
Number of share options to key management personnel (unit: '000 shares)		
– the Group	—	2,106

The related expense on share options to key management personnel reversed in six months ended 30 June 2015 was RMB1,079,000 (six months ended 30 June 2014: RMB1,787,000).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

28. RELATED PARTY TRANSACTIONS (continued)

(o) Commitments with related parties:

The Group had the following commitments with related parties at the reporting period, which are contracted for, but not included in the financial statements:

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Sale of goods to:		
– CNRG Group	74	—
– Joint ventures	507,449	504
– Associates	50,781	56,054
	558,304	56,558
Purchase of materials and components from:		
– CSRG Group	297	8,508
– CNRG Group	6,490	32,450
– Joint ventures	953,906	980,874
– Associates	55,450	13,550
	1,016,143	1,035,382

(p) Transactions with state-owned entities in the PRC:

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organisations (collectively the “State-owned Entities”). During the period, the Group enters into extensive transactions with these State-owned Entities including, but not limited to, sales and purchases. The China Railway Corporation and entities invested and managed by local railway departments are identified as a single State-owned Entity by the directors of the Company, the revenue from the State-owned Entity amounted to RMB 43,255,069,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB41,431,861,000).

Management considers that transactions with State-owned Entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those State-owned Entities are ultimately controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are State-owned Entities.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

29. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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 cash and cash equivalents, pledged deposits, trade and bills receivable, trade and bills payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of listed equity investments, forward currency contracts and financial assets at fair value through profit or loss are based on quoted market prices. The fair values of corporate wealth management products with underlying of debt securities are based on discounted cash flow using the rate that reflects the expected yield and the credit risk of the counterparties.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. But short-term and long-term bonds are included in interest-bearing bank and other borrowings, and the fair value of the short-term and long-term bonds is estimated using quoted market prices.

The carrying amounts and fair values of the Group's borrowings with fixed rate are as follows:

	30 June 2015		31 December 2014	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Borrowings - with fixed rate	17,197,035	17,040,468	26,569,744	25,298,344

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

29. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

Financial assets and liabilities measured at fair value:

As at 30 June 2015

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	At 30 June 2015 (RMB'000)	At 31 December 2014 (RMB'000)		
Financial assets				
Listed equity security classified as available-for-sale financial assets	1,794,220	874,415	Level 1	Quoted market price
Foreign currency forward contracts classified as financial assets at fair value through profit or loss	5,258	4,387	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Corporate wealth management products classified as available-for-sale financial assets	2,590,000	4,400,000	Level 2	Discounted cash flow. Expected interest rates.
Financial liabilities				
Foreign currency forward contracts classified as financial liabilities at fair value through profit or loss	1,191	1,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

During the six-month ended 30 June 2015 and the year ended 31 December 2014, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

30. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

(i) The Merger of CSRG and CNRG

The Company received a notice from CSRG and CNRG, informing that they had entered into a merger agreement on 5 August 2015. According to the merger agreement, CNRG will absorb CSRG and CSRG will be deregistered, CNRG will change its name to “CRRC Group” and all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSRG will be held by the post-merger corporation (the “Merger”). The Merger has been approved by SASAC pursuant to the “Notice regarding the Restructuring of China Northern Locomotive & Rolling Stock Industry (Group) Corporation and CSR Group” (Guo Zi Fa Gai Ge (2015) No. 102). After the Merger, the post-merger corporation, CRRC Group, will directly hold 54.18% equity interest in the Company, indirectly hold 0.34% equity interest in the Company through CSR Capital Company, and indirectly hold 1.39% equity interest in the Company through Beijing CNR Investment Co., Ltd..

(ii) 2014 dividends distribution plan

Subsequent to 30 June 2015, a final dividend of RMB3,275,000,000 at RMB0.12 per share in respect of the year ended 31 December 2014, based on 27,288,758,000 shares as at 30 June 2015, has been proposed by the directors of the Company and is subject to the approval by the shareholders in the forthcoming annual general meeting.



DEFINITIONS

“Articles of Association”	the articles of association of our Company
“BST Company”	Bombardier Sifang (Qingdao) Transportation Ltd.
“CNR”	the original China CNR Corporation Limited (中國北車股份有限公司)
“CNRG”	China Northern Locomotive and Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司)
“Company” or “CRRC”	CRRC Corporation Limited (中國中車股份有限公司), formerly known as CSR Corporation Limited (中國南車股份有限公司) (“CSR”)
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules
“CSR Chengdu”	CSR Chengdu Locomotive & Rolling Stock Co., Ltd. (南車成都機車車輛有限公司)
“CSR Sifang Ltd.”	CSR Sifang Co., Ltd.
“CSR ZELRI”	CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.
“CSRC”	China Securities Regulatory Commission
“CSRG”	CSR Group (中國南車集團公司)
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“HKSE” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SMD Limited”	Specialist Machine Developments (SMD) Limited
“SSE”	The Shanghai Stock Exchange
“Times Electric”	Zhuzhou CSR Times Electric Co., Ltd
“Times New Material”	Zhuzhou Times New Material Technology Co., Ltd.