



ANNUAL REPORT
2015



株洲中车时代电气股份有限公司

ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.

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

(Stock Code: 3898)



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Notes:

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

Financial Highlights

CONSOLIDATED STATEMENT OF PROFIT OR LOSS HIGHLIGHTS

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

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

Dear Shareholders,

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

Performance Review

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

Business Review

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

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

Chairman's Report

Business Review (continued)

- The three main business segments of locomotives, the electric multiple units ("EMU") and urban transit continued to deliver strong performance and contributed approximately three-quarter of the Company's revenue for the year:
 - * In the field of the traction systems for locomotives, projects including 6-axes passenger/freight locomotives, 8-axes freight locomotives as well as locomotives for South Africa and Thailand were delivered in batches, and the locomotives offerings of the Company has become more diversified;
 - * In the field of the traction systems for EMU, the market demand was still vigorous with smooth progress in deliveries. The China Standard EMUs were in the evaluation stage and the permanent-magnet drive technology for electric multiple units was under research and development;
 - * In the field of urban railway and metro, the Company's own traction systems continued to lead the domestic market, the new technology platform was successfully applied in several batch-delivered projects in the market. On the other hand, the Company steadily pushed forward its market expansion based on the "City Management" strategy, which has also promoted the synergic development of the relevant industries.
- In respect of railway engineering machinery, the integration of resources has provided the Group with advantages as a whole and the promotion of both technology and products has resulted in market growths.
- In respect of train operation safety equipment, the Group cultivated the new generation of products and successfully secured new orders for metro signaling.
- In respect of parts and components, the IGBT business achieved ongoing improvements. Some of the products have been applied in batches and product identification continued to proceed. The Company has also accelerated the development of IGBT power module market and expanded the parts and components segment through the collaboration with laminated busbars and sensors.

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

During the past year, the Company continued to promote excellent performance management, continuously improved organizational performance and operation efficiency, thereby laying a solid foundation for the governing system with continuous development.

Outlook

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

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

Outlook (continued)

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

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

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

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

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

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

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

Ding Rongjun

Chairman of the Board

Zhuzhou, Hunan, the PRC

24 March 2016

Management Discussion and Analysis

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

Revenue

| | 2015 (RMB million) | 2014 (RMB million) |
|--|-----------------------|-----------------------|
| Locomotives | 3,559.2 | 3,704.3 |
| Electric Multiple Units | 4,951.3 | 4,759.1 |
| Metropolitan rail transportation equipment | 1,873.1 | 1,207.6 |
| Railway maintenance machineries related products | 1,495.3 | 1,148.6 |
| Train operation safety equipment | 560.6 | 574.6 |
| Key electric part and component products | 645.5 | 630.7 |
| Marine engineering products and others | 1,059.7 | 651.3 |
| Total revenue | 14,144.7 | 12,676.2 |

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

In 2015, other than a decrease in the revenue from locomotives, the Group's other product series all recorded increases in revenue at various growth levels. Among these, the strongest growth in revenue was from Metropolitan rail transportation equipment with an increase of RMB665.5 million as compared with last year. Such increase was mainly due to the delivery of products such as Wuhan line 3 and Fuzhou line 1. The second strongest growth in revenue was recorded in marine engineering products and other products with an increase of RMB408.4 million as compared with last year. Such increase was mainly due to the income from the marine engineering products which were newly acquired in 2015. The third strongest growth in revenue was recorded in railway maintenance machineries related products with an increase of RMB346.7 million as compared with last year. Such increase was mainly due to the delivery of products such as Railway Vehicle and Operation Car.

Cost of sales

The Group's cost of sales increased by 9.3% from RMB7,876.4 million for the year ended 31 December 2014 to RMB8,607.6 million for the year ended 31 December 2015. The increase in the cost of sales was mainly due to the combined effects of the growth in the Group's revenue and the change of product sales mix.

Gross profit

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

Selling expenses

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

Administrative expenses

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

Finance costs

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

Asset impairment losses

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

Investment income

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

Non-operating income

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

Non-operating expenses

The Group's non-operating expenses increased by 65.5% from RMB2.9 million for the year ended 31 December 2014 to RMB4.8 million for the year ended 31 December 2015. The increase in non-operating expenses was due to the increase in compensations in the current year as compared to last year.

Management Discussion and Analysis

Total profit

The Group's total profit increased by 25.1% from RMB2,754.9 million for the year ended 31 December 2014 to RMB3,445.3 million for the year ended 31 December 2015. The increase in total profit was mainly due to the increase in revenue. The Group's sales profit margins for the years ended 31 December 2014 and 31 December 2015 were 21.7% and 24.4% respectively.

Income tax expense

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

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

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

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

Net profit attributable to shareholders of the Parent

Net profit attributable to shareholders of the Parent increased by 23.5% from RMB2,394.8 million for the year ended 31 December 2014 to RMB2,958.4 million for the year ended 31 December 2015. The increase in the net profit attributable to shareholders of the Parent was mainly due to the increase in revenue.

Non-controlling interests

Non-controlling interests increased by RMB14.1 million from negative RMB2.8 million for the year ended 31 December 2014 to RMB11.3 million for the year ended 31 December 2015. The increase in non-controlling interests was mainly due to the increase in net profit from the Group's non-wholly owned subsidiaries during the year as compared to last year.

Earnings per share

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

LIQUIDITY AND SOURCE OF CAPITAL

Cash flows and working capital

The Group's needs for working capital were mainly satisfied by cash generated from operations. The net increase in cash and cash equivalents of the Group amounted to RMB703.3 million for the current year.

Net cash inflows from operating activities

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

Net cash outflows from investing activities

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

Net cash inflows from financing activities

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

Liquidity

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

Commitments

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

| | 31 December 2015 (RMB million) | 31 December 2014 (RMB million) |
|---------------------------------|--------------------------------------|--------------------------------------|
| Contracted but not provided for | | |
| Capital commitments | 87.7 | 110.5 |
| Investment commitments | — | 22.5 |
| | 87.7 | 133.0 |

Indebtedness

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

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

The Group's borrowings were mainly floating rate loans.

Management Discussion and Analysis

Indebtedness (continued)

Maturity analysis:

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

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

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

Pledge

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

As at 31 December 2015, the Group pledged its land use rights with a carrying amount of RMB17.0 million (31 December 2014: RMB16.8 million) to obtain bank borrowings.

Capital management

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

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and risk characteristics of underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. The Group made no changes in the objectives and processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital by using the gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio below 30%. Net debt includes all borrowings, bills payable, trade payables, receipts in advance, employee benefits payable, interests payable, taxes payable (excluding income tax payable), other payables and long-term payables, less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The Group's gearing ratio was 15.2% as at 31 December 2014 and 19.9% as at 31 December 2015.

Business combinations not involving entities under common control

The Group acquired 100% share of SMD Group from independent third parties, through its subsidiary, HK Electric paying by cash. On 9 April 2015, the Group obtained control of SMD Group and the acquisition date was determined as 9 April 2015.

The Group has engaged an independent appraiser to evaluate the allocation of purchase price of SMD Group. The Group determined the fair value of net identifiable assets and contingent consideration according to the finalised valuation. On the acquisition date, the fair value of intangible assets of SMD Group was GBP48.1 million (equivalent to approximately RMB439.6 million), including technical know-how, trademarks, backlog orders and service contracts and so on. The fair value of intangible assets was calculated by the method of discounted cash flow. On the acquisition date, the goodwill arising from business combinations not involving entities under common control was amounting to GBP58.6 million (equivalent to approximately RMB535.9 million).

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

Pursuant to the purchase agreement, if the performances of the first financial year (2015) and the second financial year (2016) of SMD Group after the acquisition date meet certain performance targets stipulated under the purchase agreement, the Group shall pay contingent consideration from GBP0 to GBP10.1 million (equivalent to approximately RMB92.3 million at acquisition date) by using the retention amount of escrow account paid on the acquisition date. Furthermore, if the performances of the first financial year (2015) and the second financial year (2016) of SMD Group after the acquisition date meet certain more stringent performance targets stipulated under the purchase agreement, the Group shall pay certain additional contingent consideration up to GBP7.0 million (equivalent to approximately RMB64.0 million at acquisition date). On the acquisition date, the fair value of contingent consideration amounted to GBP1.5 million (equivalent to approximately RMB13.3 million at acquisition date). As at 31 December 2015, SMD Group did not achieve the performance target stipulated in the purchase agreement, the contingent consideration amounting to GBP0.8 million (equivalent to approximately RMB7.9 million as at 31 December 2015) is recognised as non-operating profit.

Management Discussion and Analysis

Contingent liabilities

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

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

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

Market risks

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

Foreign currency risk

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

As at 31 December 2015, the borrowings amounted to RMB988.1 million of the Group were settled in foreign currencies such as the Great British Pound and Euros. Fluctuations of exchange rates of RMB against such foreign currencies can affect the Group's results of operations.

Policy risk

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

Directors, Supervisors and Senior Management

Directors



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



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

Directors, Supervisors and Senior Management



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



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



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

Directors, Supervisors and Senior Management



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



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



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

Directors, Supervisors and Senior Management



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



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

Supervisors



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

Directors, Supervisors and Senior Management



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



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



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

Directors, Supervisors and Senior Management

Senior Management

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

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



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



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

Directors, Supervisors and Senior Management



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



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

Directors, Supervisors and Senior Management



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

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



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

Directors, Supervisors and Senior Management



Yan Changqi, aged 48, vice general manager. Mr. Yan is a director of Shanghai CSR Railway, Qingdao Electric, Yueqing CSR Railway and Shiling. Mr. Yan is a senior engineer. He joined CRRC ZELRI in August 1991 and has held various positions as director of the sales division of the marketing centre of CRRC ZELRI, deputy director of Foreign Economic Cooperation Office (FECO), vice general manager of the marketing centre, chief marketing officer of Times Electronics and chief marketing officer of the passenger car electric business division. Mr. Yan served as the general manager of the EMU business division of the Company from January 2007 to December 2009, vice chief economist of the Company from January 2010 to January 2013, assistant to general manager and general manager of the EMU business division of the Company from February 2013 to May 2013, and assistant to general manager and general manager of the

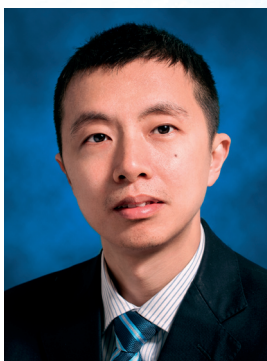
railway business division of the Company from May 2013 to January 2016. Mr. Yan graduated with a bachelor's degree in Machinery Manufacturing Technology and Equipment (機械製造工藝及設備) from Xi'an Jiaotong University in July 1991. Mr. Yan has been vice general manager of the Company since January 2016.



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



Directors, Supervisors and Senior Management



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



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

Corporate Governance Report

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

I. Corporate Governance Practices

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

During the year ended 31 December 2015, the Company has fully complied with all the code provisions of the CG Code, except for code provision A.6.7 as set out below.

Mr. Ma Yunkun, a non-executive Director, did not attend the Company's 2014 annual general meeting held on 5 June 2015 due to his other important commitments that deviated the requirement of code provision A.6.7.

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

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

II. Securities Transactions by Directors

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

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

Corporate Governance Report

III. Board of Directors

1. Composition of the Board

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

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

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

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

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

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

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

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

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

2. Board Meetings and Directors' Attendances at Board Meetings

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

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

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

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

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

3. Directors' Continuous Training and Development Program

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

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

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

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

Corporate Governance Report

4. Operation of the Board

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

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

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

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

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

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

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

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

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

5. Committees of the Board

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

a. Strategy committee

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

The main responsibilities of the strategy committee are:

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

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

b. Audit committee

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

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

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

Corporate Governance Report

b. Audit committee (continued)

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

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

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

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

c. Risk management committee

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

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

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

d. Remuneration committee

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

d. Remuneration committee (continued)

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

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

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

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

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

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

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

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

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

Corporate Governance Report

e. Nomination committee

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

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

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

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

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

f. Corporate governance functions

The Board is responsible for the following corporate governance functions:

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

IV Chairman and General Manager

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

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

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

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

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

V Non-executive Directors

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

Corporate Governance Report

VI Board diversity policy

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

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

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

VII Nomination of Directors

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

VIII Remuneration of the Auditor

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

| | For the year ended 31 December 2015 (RMB'000) |
|--------------------------|---|
| Service provided: | |
| Audit Service | 4,444 |

IX Directors' Responsibilities in respect of the Financial Reports

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

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

X Company Secretary

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

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

XI Constitution

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

XII Internal Control

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

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

Corporate Governance Report

XII Internal Control (continued)

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

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

XIII Shareholders' Rights

1. Convening extraordinary general meetings

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

2. Enquires to the Board

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

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

3. Putting proposals to general meetings

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

XIV Investor Relation

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

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

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

Directors' Report

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

The Company's business activities

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

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

Business model and direction of strategy

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

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

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

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

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

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

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

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

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

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

Results and dividends

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

The Company had profit attributable to shareholders (before proposed final dividend) of RMB7,587.9 million as at 31 December 2015. The Board proposed distribution of a cash dividend of RMB0.45 per share (applicable tax inclusive) for the year. The proposed dividend to be distributed is subject to the approval of the shareholders at the annual general meeting to be held on 23 June 2016.

In order to ascertain the entitlements of shareholders to attend the forthcoming annual general meeting to be held on 23 June 2016, the register of members of the Company will be closed from 24 May 2016 to 23 June 2016 (both days inclusive), during which no transfer of shares will be registered.

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

In respect of the distribution of dividends, dividends for domestic shares will be distributed and paid in Renminbi, while dividends for H shares will be declared in Renminbi and paid in Hong Kong Dollars (the Hong Kong Dollars equivalent shall be calculated at the average midpoint exchange rate of Renminbi to Hong Kong Dollars announced by the People's Bank of China for five working days prior to the declaration of dividend at the 2015 annual general meeting to be held on 23 June 2016). If approved, the final dividends are expected to be distributed on or about 5 August 2016 to shareholders whose names are registered on the register of members on 4 July 2016.

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

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

Financial Highlights

Fixed assets

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

Short-term borrowings

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

Long-term borrowings

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

Share capital

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

Directors' Report

Share appreciation rights scheme

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

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

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

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

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

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

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

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

Pre-emptive rights

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

Purchase, redemption or sale of listed securities of the Company

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

Shareholders' equity

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

Profit distributable to shareholders

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

Major customers and suppliers

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

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

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

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

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

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

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

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

Directors' Report

Directors and supervisors

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

Executive Directors

Ding Rongjun – Chairman of the Board
Deng Huijin – Vice Chairman of the Board
Li Donglin (resigned on 12 January 2016)
Liu Ke'an (appointed on 12 January 2016)
Yan Wu

Non-executive Director

Ma Yunkun

Independent non-executive Directors

Gao Yucai (resigned on 23 March 2016)
Chan Kam Wing, Clement
Pao Ping Wing
Liu Chunru

Supervisors

Xiong Ruihua-Chairman of the Supervisory Committee
Pang Yiming – employee representative supervisor
Zhou Guifa – employee representative supervisor
Geng Jianxin – independent supervisor

Composition of the Supervisory Committee

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

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

Biographies of Directors and supervisors

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

Positions held by Directors, supervisors and senior management

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

Service contracts with Directors and supervisors

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

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

Directors' and supervisors' interests in contracts

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

Directors' interests in competing business

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

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

During the year and as at 31 December 2015, none of the Directors, supervisors and the general manager of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or any interests or short positions in the shares required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or any personal, family, corporate or other interests or short positions required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

Directors' and supervisors' rights to acquire shares or debentures

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

Employees and remuneration policy

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

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

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

Structure of share capital

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

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

Substantial shareholders

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

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

Directors' Report

Substantial shareholders (continued)

Notes:

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

Continuing connected transactions

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

Non-exempt continuing connected transactions

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

Mutual Supply Agreement with the CRRC Group

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

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

The Financial Services Framework Agreement with CSR Finance

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

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

Mutual Supply Agreement with Qingdao Electric

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

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

The High Power IGBT Lease Agreement with CRRC ZELRI

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

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

Directors' Report

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

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

The First Lease Agreement with CRRC ZELRI

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

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

The Second Lease Agreement with CRRC ZELRI Wind Power Business Unit

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

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

The Third Lease Agreement with CRRC ZELRI

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

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

The Fourth Lease Agreement with Traction Inspection

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

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

Annual review of continuing connected transactions

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

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

Related party transactions

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

Directors' Report

Mechanism for protecting non-controlling interests

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

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

Non-competition and indemnity deeds

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

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

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

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

Directors' Report

Sufficiency of public float

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

Post Balance Sheet Events

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

Taxation

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

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

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

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

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

Management Contracts

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

Environmental Policy and Performance

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

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

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

Compliance with Laws and Regulations

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

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

Directors' Report

Relationship with Employees, Customers and Suppliers

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

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

Auditor

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

By order of the Board

Ding Rongjun

Chairman of the Board

Zhuzhou, Hunan, PRC

24 March 2016

Supervisory Committee's Report

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

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

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

II. Independent opinion of the Supervisory Committee

1. The Company carried on its operations lawfully

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

2. Financial reports give a true and accurate view

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

3. Connected transactions

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

Supervisory Committee's Report

4. The implementation of non-competition and indemnity deeds

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

5. The implementation of resolutions of the general meeting

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

Xiong Ruihua

Chairman of the Supervisory Committee

Zhuzhou, Hunan, PRC

24 March 2016



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

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

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

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

2. AUDITORS' RESPONSIBILITY

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

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

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

Auditors' Report

3. OPINION

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

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Zhang Yiqiang

Chinese Certified Public Accountant: Liu Xin

Beijing, the People's Republic of China

24 March 2016

Consolidated Statement of Financial Position

31 December 2015

Renminbi Yuan

| ASSETS | Note V | 31 December 2015 | 31 December 2014 |
|------------------------------------|--------|-----------------------|-----------------------|
| CURRENT ASSETS | | | |
| Cash and bank balances | 1 | 3,403,680,982 | 2,679,867,325 |
| Bills receivable | 2 | 3,944,289,710 | 3,184,352,916 |
| Trade receivables | 3 | 3,967,858,997 | 2,813,878,700 |
| Prepayments | 4 | 194,032,905 | 147,627,653 |
| Other receivables | 5 | 154,434,789 | 79,220,006 |
| Inventories | 6 | 3,069,080,313 | 2,207,339,644 |
| Other current assets | 7 | 3,269,523,254 | 3,053,675,472 |
| Total current assets | | 18,002,900,950 | 14,165,961,716 |
| NON-CURRENT ASSETS | | | |
| Available-for-sale financial asset | 8 | 900,000 | 900,000 |
| Long-term receivables | 9 | 11,178,796 | 22,082,991 |
| Long-term equity investments | 10 | 221,873,090 | 237,010,505 |
| Fixed assets | 11 | 1,762,830,047 | 1,770,444,529 |
| Construction in progress | 12 | 209,114,557 | 112,914,938 |
| Intangible assets | 13 | 689,151,256 | 268,531,012 |
| Development expenditure | 14 | 663,534 | 15,092,149 |
| Goodwill | 15 | 575,023,668 | 13,770,533 |
| Deferred tax assets | 16 | 279,780,338 | 251,382,881 |
| Other non-current assets | 17 | 58,910,923 | 66,812,276 |
| Total non-current assets | | 3,809,426,209 | 2,758,941,814 |
| TOTAL ASSETS | | 21,812,327,159 | 16,924,903,530 |

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

Consolidated Statement of Financial Position

31 December 2015

Renminbi Yuan

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

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

The financial statements are signed by the following persons:

Legal Representative:

Ding Rongjun

Chief Financial Officer:

Zhang Hua

Head of Accounting Department:

Liu Zehua

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

Renminbi Yuan

| | Note V | 2015 | 2014 |
|--|--------|-----------------------|----------------|
| Revenue | 38 | 14,144,718,451 | 12,676,196,687 |
| Less: Cost of sales | 38 | 8,607,645,651 | 7,876,406,252 |
| Business taxes and surcharges | 39 | 100,136,151 | 99,787,028 |
| Selling expenses | | 647,335,609 | 880,906,676 |
| Administrative expenses | 40 | 1,606,261,381 | 1,349,132,921 |
| Finance costs | 41 | (25,324,901) | (43,013,221) |
| Asset impairment losses | 42 | 60,878,850 | 148,776,654 |
| Add: Investment income | 43 | 121,206,269 | 121,607,881 |
| including: share of profits and losses of associates and joint ventures | 43 | 55,125,209 | 51,661,839 |
| Operating profit | | 3,268,991,979 | 2,485,808,258 |
| Add: Non-operating income | 44 | 181,119,015 | 271,989,157 |
| including: gains on disposal of non-current assets | 44 | 464,406 | 739,820 |
| Less: Non-operating expenses | 45 | 4,766,854 | 2,883,417 |
| including: losses on disposal of non-current assets | 45 | 1,529,475 | 1,507,064 |
| Total profit | 46 | 3,445,344,140 | 2,754,913,998 |
| Less: Income tax expense | 47 | 475,641,534 | 362,905,380 |
| Net profit | | 2,969,702,606 | 2,392,008,618 |
| Net profit attributable to shareholders of the Parent | | 2,958,357,366 | 2,394,818,236 |
| Non-controlling interests | | 11,345,240 | (2,809,618) |
| Other comprehensive income, net of tax | 34 | | |
| Other comprehensive income attributable to shareholders of the Parent, net of tax | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods | | | |
| Exchange fluctuation reserve | | (11,118,551) | (8,276,717) |
| Total other comprehensive income attributable to non-controlling interests, net of tax | | 87,787 | (2,707,799) |
| Total comprehensive income | | 2,958,671,842 | 2,381,024,102 |
| Including: | | | |
| Total comprehensive income attributable to shareholders of the Parent | | 2,947,238,815 | 2,386,541,519 |
| Total comprehensive income attributable to non-controlling interests | | 11,433,027 | (5,517,417) |
| Earnings per share (Yuan/Share) | 48 | | |
| Basic | | 2.52 | 2.04 |
| Diluted | | 2.52 | 2.04 |

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

Renminbi Yuan

| | Attributable to shareholders of the Parent | | | | | | | Non-controlling interests | Total shareholders' equity |
|--|--|----------------------|------------------|----------------------|----------------------|----------------------------|-----------------------|---------------------------|----------------------------|
| | Share capital | Capital reserve | Special reserve | Surplus reserve | Retained earnings | Other comprehensive income | Sub-total | | |
| 2015 | | | | | | | | | |
| I. At beginning of the year | 1,175,476,637 | 3,352,499,586 | 2,920,995 | 859,087,844 | 5,631,283,306 | (30,272,682) | 10,990,995,686 | 179,770,190 | 11,170,765,876 |
| II. Movements during the year | | | | | | | | | |
| (i) Total comprehensive income | - | - | - | - | 2,958,357,366 | (11,118,551) | 2,947,238,815 | 11,433,027 | 2,958,671,842 |
| (ii) Capital contribution and withdrawal by shareholders | | | | | | | | | |
| 1. Capital contribution by non-controlling shareholders | - | - | - | - | - | - | - | 14,700,000 | 14,700,000 |
| 2. Others | - | (376,456) | - | - | - | - | (376,456) | 376,456 | - |
| (iii) Profit appropriation | | | | | | | | | |
| 1. Transfer to surplus reserve | - | - | - | 290,413,637 | (290,413,637) | - | - | - | - |
| 2. Dividends paid | - | - | - | - | (470,190,655) | - | (470,190,655) | (1,943,949) | (472,134,604) |
| (iv) Special reserve | | | | | | | | | |
| 1. Accrued during the year | - | - | 33,611,332 | - | - | - | 33,611,332 | 522,086 | 34,133,418 |
| 2. Paid during the year | - | - | (29,011,882) | - | - | - | (29,011,882) | (522,086) | (29,533,968) |
| III. Closing balance | <u>1,175,476,637</u> | <u>3,352,123,130</u> | <u>7,520,445</u> | <u>1,149,501,481</u> | <u>7,829,036,380</u> | <u>(41,391,233)</u> | <u>13,472,266,840</u> | <u>204,335,724</u> | <u>13,676,602,564</u> |

| | Attributable to shareholders of the Parent | | | | | | | Non-controlling interests | Total shareholders' equity |
|--|--|----------------------|------------------|--------------------|----------------------|----------------------------|-----------------------|---------------------------|----------------------------|
| | Share capital | Capital reserve | Special reserve | Surplus reserve | Retained earnings | Other comprehensive income | Sub-total | | |
| 2014 | | | | | | | | | |
| I. At beginning of the year | 1,175,476,637 | 3,354,300,202 | 1,148,151 | 624,621,343 | 3,882,348,394 | (21,995,965) | 9,015,898,762 | 134,221,486 | 9,150,120,248 |
| II. Movements during the year | | | | | | | | | |
| (i) Total comprehensive income | - | - | - | - | 2,394,818,236 | (8,276,717) | 2,386,541,519 | (5,517,417) | 2,381,024,102 |
| (ii) Capital contribution and withdrawal by shareholders | | | | | | | | | |
| 1. Capital contribution by non-controlling shareholders | - | - | - | - | - | - | - | 52,000,000 | 52,000,000 |
| 2. Acquisition of non-controlling interest | - | (13,534) | - | - | - | - | (13,534) | (29,725) | (43,259) |
| 3. Premium on capital injection to a non-wholly owned subsidiary | - | (1,192,555) | - | - | - | - | (1,192,555) | 1,192,555 | - |
| 4. Others | - | (594,527) | - | - | - | - | (594,527) | 594,527 | - |
| (iii) Profit appropriation | | | | | | | | | |
| 1. Transfer to surplus reserve | - | - | - | 234,466,501 | (234,466,501) | - | - | - | - |
| 2. Dividends paid | - | - | - | - | (411,416,823) | - | (411,416,823) | (2,691,236) | (414,108,059) |
| (iv) Special reserve | | | | | | | | | |
| 1. Accrued during the year | - | - | 17,647,640 | - | - | - | 17,647,640 | 451,544 | 18,099,184 |
| 2. Paid during the year | - | - | (15,874,796) | - | - | - | (15,874,796) | (451,544) | (16,326,340) |
| III. Closing balance | <u>1,175,476,637</u> | <u>3,352,499,586</u> | <u>2,920,995</u> | <u>859,087,844</u> | <u>5,631,283,306</u> | <u>(30,272,682)</u> | <u>10,990,995,686</u> | <u>179,770,190</u> | <u>11,170,765,876</u> |

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

Renminbi Yuan

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

Renminbi Yuan

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

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

Statement of Financial Position

31 December 2015

Renminbi Yuan

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

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

Statement of Financial Position

31 December 2015

Renminbi Yuan

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

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

Statement of Profit or Loss

For the year ended 31 December 2015

Renminbi Yuan

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

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

Statement of Changes in Equity

For the year ended 31 December 2015

Renminbi Yuan

| | Share capital | Capital reserve | Special reserve | Surplus reserve | Retained earnings | Total shareholders' equity |
|--------------------------------|----------------------|----------------------|------------------|----------------------|----------------------|----------------------------|
| 2015 | | | | | | |
| I. At beginning of the year | 1,175,476,637 | 3,378,010,293 | — | 859,087,844 | 5,444,368,704 | 10,856,943,478 |
| II. Movements during the year | | | | | | |
| (i) Total comprehensive income | — | — | — | — | 2,904,136,369 | 2,904,136,369 |
| (ii) Profit appropriation | | | | | | |
| 1. Transfer to surplus reserve | — | — | — | 290,413,637 | (290,413,637) | — |
| 2. Dividend paid | — | — | — | — | (470,190,655) | (470,190,655) |
| (iii) Special reserve | | | | | | |
| 1. Accrued during the year | — | — | 23,295,752 | — | — | 23,295,752 |
| 2. Paid during the year | — | — | (19,199,115) | — | — | (19,199,115) |
| III. Closing balance | <u>1,175,476,637</u> | <u>3,378,010,293</u> | <u>4,096,637</u> | <u>1,149,501,481</u> | <u>7,587,900,781</u> | <u>13,294,985,829</u> |
| 2014 | | | | | | |
| I. At beginning of the year | 1,175,476,637 | 3,378,010,293 | — | 624,621,343 | 3,745,587,014 | 8,923,695,287 |
| II. Movements during the year | | | | | | |
| (i) Total comprehensive income | — | — | — | — | 2,344,665,014 | 2,344,665,014 |
| (ii) Profit appropriation | | | | | | |
| 1. Transfer to surplus reserve | — | — | — | 234,466,501 | (234,466,501) | — |
| 2. Dividend paid | — | — | — | — | (411,416,823) | (411,416,823) |
| (iii) Special reserve | | | | | | |
| 1. Accrued during the year | — | — | 11,428,244 | — | — | 11,428,244 |
| 2. Paid during the year | — | — | (11,428,244) | — | — | (11,428,244) |
| III. Closing balance | <u>1,175,476,637</u> | <u>3,378,010,293</u> | <u>—</u> | <u>859,087,844</u> | <u>5,444,368,704</u> | <u>10,856,943,478</u> |

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

Statement of Cash Flows

For the year ended 31 December 2015

Renminbi Yuan

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

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

Statement of Cash Flows

For the year ended 31 December 2015

Renminbi Yuan

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

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

Notes to Financial Statements

31 December 2015

Renminbi Yuan

I. Basic Information of the Group

Zhuzhou CRRC Times Electric Co., Ltd. (the "Company") (formerly known as Zhuzhou CSR Times Electric Co., Ltd., has completed the change of business registration on 10 March 2016) is a joint stock limited company registered in Hunan Province, the People's Republic of China (the "PRC"). It was jointly established by CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司) (formerly known as CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司)), CRRC Changzhou Qishuyan Locomotive & Rolling Stock Works (中車集團常州戚墅堰機車車輛廠) (formerly known as CSRG Qishuyan Locomotive & Rolling Stock Works (中國南車集團戚墅堰機車車輛廠)), CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司) (formerly known as CSR Zhuzhou Electric Locomotive Co., Ltd. (南車株洲電力機車有限公司)), CRRC Investment & Leasing Co., Ltd. (中車投資租賃有限公司) (formerly known as CSR Investment & Leasing Co., Ltd. (南車投資租賃有限公司)) and CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司) (formerly known as China Railway Large Maintenance Machinery Co., Ltd. Kunming (昆明中鐵大型養路機械集團有限公司)) at the date of 26 September 2005. The H shares of the Company were listed on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The registered office of the Company is located at Times Road, Shifeng District, Zhuzhou City, Hunan Province, the PRC.

The Company and its subsidiaries (together, the "Group") are principally engaged in the sale and manufacture of train-borne electrical systems and electrical components.

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

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

As at 31 December 2015, the Company had issued an aggregate of 1,175,476,637 shares as share capital, refer to Note V.32.

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

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

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

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II. Basis of Preparation

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

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

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

III. Significant Accounting Policies and Estimates

1. Statement of compliance with Accounting Standards for Business Enterprises

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

2. Accounting period

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

3. Functional currency

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

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

4. Business combinations

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

Business combinations involving entities under common control

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

III. Significant Accounting Policies and Estimates (continued)

4. Business combinations (continued)

Business combinations involving entities under common control (continued)

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

Business combinations not involving entities under common control

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

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

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

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III. Significant Accounting Policies and Estimates (continued)

5. Consolidated financial statements

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

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

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

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

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

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

III. Significant Accounting Policies and Estimates (continued)

6. Joint arrangement classification and joint operation

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

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

7. Cash and cash equivalents

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

8. Foreign currency transactions and foreign currency translation

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

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

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

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

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III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

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

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

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

Classification and measurement of financial assets

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

III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial assets (continued)

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Offsetting of financial instruments

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

Impairment of financial assets

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

III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

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

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

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

Available-for-sale financial asset

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

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

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

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

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III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets carried at cost

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

Transfer of financial assets

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

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

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

10. Inventories

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

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

The Group adopts a perpetual inventory system.

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

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

III. Significant Accounting Policies and Estimates (continued)

11. Long-term equity investments

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

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

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

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III. Significant Accounting Policies and Estimates (continued)

11. Long-term equity investments (continued)

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

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

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

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

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

III. Significant Accounting Policies and Estimates (continued)

12. Fixed assets

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

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

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

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

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

13. Construction in progress

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

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

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III. Significant Accounting Policies and Estimates (continued)

14. Borrowing costs

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

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

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

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

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

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

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

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

III. Significant Accounting Policies and Estimates (continued)

15. Intangible assets

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

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

The useful lives of the intangible assets are as follows:

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

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

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

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

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

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III. Significant Accounting Policies and Estimates (continued)

16. Impairment of assets

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

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

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

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

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

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

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

III. Significant Accounting Policies and Estimates (continued)

17. Employee benefits

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

Short-term benefits

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

Benefits after demission (Defined contribution plan)

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

Termination benefits

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

18. Provisions

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

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

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

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

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III. Significant Accounting Policies and Estimates (continued)

19. Revenue

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

Revenue from the sales of goods

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

Revenue from the rendering of services

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

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

III. Significant Accounting Policies and Estimates (continued)

19. Revenue (continued)

Revenue from the construction contract

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

Interest income

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

Dividend income

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

Lease income

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

20. Government grants

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

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

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

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III. Significant Accounting Policies and Estimates (continued)

21. Income tax

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

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

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

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

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

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

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

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

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

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

III. Significant Accounting Policies and Estimates (continued)

22. Leases

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

In the case of the lessee of an operating lease

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

In the case of the lessor of an operating lease

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

23. Distribution of profit

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

24. Production safety expenses

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

25. Fair value measurement

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

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

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

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

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III. Significant Accounting Policies and Estimates (continued)

25. Fair value measurement (continued)

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

26. Significant accounting judgements and estimates

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

Judgements

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

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

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

Estimation uncertainty

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

Impairment of trade receivables

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

III. Significant Accounting Policies and Estimates (continued)

26. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Provision for impairment of inventories

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

Deferred tax assets

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

Impairment of goodwill

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

Impairment of non-financial assets (other than goodwill)

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

Provision for warranties

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

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III. Significant Accounting Policies and Estimates (continued)

27. Changes in accounting estimates

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

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

The Group

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

The Company

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

IV. Taxes

1. Major categories of taxes and respective tax rates

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

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

2. Tax benefits and official approval

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

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

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

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V. Notes to Key Items of the Consolidated Financial Statements

1. Cash and bank balances

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

As at 31 December 2015, the cash and bank balances of RMB27,191,259(31 December 2014: RMB21,953,359) and RMB33,243,090(31 December 2014: RMB16,540,392) of the Group are restricted as security deposits for issuance of bank acceptance bills and for issuance of bank letters of guarantee respectively.

As at 31 December 2015, the cash and bank balances deposited overseas by the Group were equivalent to RMB31,646,603 (31 December 2014: RMB10,550,753).

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

2. Bills receivable

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

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

2. Bills receivable (continued)

Five highest bills receivable are listed as follows:

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

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

3. Trade receivables

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

Maturity analysis:

| | 31 December 2015 | 31 December 2014 |
|--|----------------------|---------------------|
| Within 6 months | 3,404,460,665 | 2,486,167,476 |
| 6 months to 1 year | 377,744,586 | 165,489,115 |
| 1 to 2 years | 231,568,326 | 268,483,688 |
| 2 to 3 years | 57,626,321 | 26,923,378 |
| Over 3 years | 22,942,456 | 7,360,713 |
| | 4,094,342,354 | 2,954,424,370 |
| Less: Provision for bad debt | 115,304,561 | 118,462,679 |
| | 3,979,037,793 | 2,835,961,691 |
| Less: Classified as non-current assets (Note V. 9) | 11,178,796 | 22,082,991 |
| | 3,967,858,997 | 2,813,878,700 |

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

3. Trade receivables (continued)

The movements of provision for bad debt are as follows:

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

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

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

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

4. Prepayments

Maturity analysis:

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

Five highest prepayments are listed as follows:

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

Notes to Financial Statements

31 December 2015

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

5. Other receivables

Maturity analysis:

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

The movements of provision for bad debt are as follows:

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

Net value of other receivables by nature is as follows:

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

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

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

5. Other receivables (continued)

Five highest other receivables are listed as follows:

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

6. Inventories

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

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

6. Inventories (continued)

| | 31 December 2014 | | |
|------------------------|-----------------------|----------------------|----------------------|
| | Gross carrying amount | Impairment provision | Carrying amount |
| Raw materials | 538,111,869 | 42,738,369 | 495,373,500 |
| Semi-finished products | 322,321,916 | 46,266,599 | 276,055,317 |
| Work in progress | 270,037,222 | 20,806,696 | 249,230,526 |
| Finished goods | 1,214,975,643 | 33,524,243 | 1,181,451,400 |
| Turnover materials | 5,578,890 | 349,989 | 5,228,901 |
| | <u>2,351,025,540</u> | <u>143,685,896</u> | <u>2,207,339,644</u> |

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

| | Aggregate cost incurred | Aggregate margin recognised | Amount invoiced |
|------------------|-------------------------|-----------------------------|--------------------|
| 31 December 2015 | <u>769,604,566</u> | <u>123,346,458</u> | <u>865,515,443</u> |

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

6. Inventories (continued)

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

2015

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

2014

| | Opening balance | Provision | Reversal and write-off | Exchange realignment | Closing balance |
|------------------------|--------------------|-------------------|---------------------------|-------------------------|--------------------|
| Raw materials | 43,421,802 | 7,790,404 | (7,998,149) | (475,688) | 42,738,369 |
| Semi-finished products | 9,543,851 | 37,222,546 | (499,798) | — | 46,266,599 |
| Work in progress | 17,916,003 | 19,864,842 | (15,747,898) | (1,226,251) | 20,806,696 |
| Finished goods | 19,965,536 | 27,204,648 | (12,177,745) | (1,468,196) | 33,524,243 |
| Turnover materials | 915,864 | 48,844 | (614,719) | — | 349,989 |
| | <u>91,763,056</u> | <u>92,131,284</u> | <u>(37,038,309)</u> | <u>(3,170,135)</u> | <u>143,685,896</u> |

Notes to Financial Statements

31 December 2015

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

7. Other current assets

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

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

8. Available-for-sale financial asset

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

2015 and 2014

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

9. Long-term receivables

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

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

10. Long-term equity investments

2015

| | Current year movements | | | | | Closing balance | |
|--|------------------------|--|------------------------------|---------------------------------------|--------------------------|-----------------|----------------------|
| | Opening balance | Business combination not involving entities under common control (Note VI.2) | Impact of unrealised profits | Investment income under equity method | Cash dividends announced | | Exchange realignment |
| Non-listed investments | | | | | | | |
| Equity method | | | | | | | |
| Joint ventures | | | | | | | |
| Zhuzhou Shiling Transportation Equipment Company, Ltd. ("Shiling") | 180,186,598 | — | (22,846,297) | 49,915,571 | (50,000,000) | — | 157,255,872 |
| SMD-BORD Limited | — | 2,497,286 | — | (673,800) | — | 86,368 | 1,909,854 |
| SMD Energy Limited | — | 18 | — | — | — | 1 | 19 |
| | <u>180,186,598</u> | <u>2,497,304</u> | <u>(22,846,297)</u> | <u>49,241,771</u> | <u>(50,000,000)</u> | <u>86,369</u> | <u>159,165,745</u> |
| Associates | | | | | | | |
| Siemens Traction Equipment Ltd., Zhuzhou ("Zhuzhou Siemens") | 49,577,867 | — | — | 3,172,372 | — | — | 52,750,239 |
| Hunan CSR Wabtec | 7,246,040 | — | — | 2,711,066 | — | — | 9,957,106 |
| | <u>56,823,907</u> | <u>—</u> | <u>—</u> | <u>5,883,438</u> | <u>—</u> | <u>—</u> | <u>62,707,345</u> |
| | <u>237,010,505</u> | <u>2,497,304</u> | <u>(22,846,297)</u> | <u>55,125,209</u> | <u>(50,000,000)</u> | <u>86,369</u> | <u>221,873,090</u> |

Notes to Financial Statements

31 December 2015

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

10. Long-term equity investments (continued)

2014

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

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

11. Fixed assets

2015

| | Buildings | Machinery | Vehicles | Office facilities and others | Total |
|---|----------------------|----------------------|-------------------|---------------------------------|----------------------|
| Cost | | | | | |
| Opening balance | 1,261,094,096 | 1,277,569,640 | 36,087,412 | 168,813,399 | 2,743,564,547 |
| Purchase | 6,316,475 | 43,729,490 | 6,481,811 | 37,430,350 | 93,958,126 |
| Construction in progress | 13,167,354 | 51,853,978 | — | 4,244,605 | 69,265,937 |
| Business combination not involving entities under common control (Note VI. 2) | 41,586,090 | 16,990,888 | — | — | 58,576,978 |
| Sale and disposal | (52,777) | (30,575,462) | (1,017,683) | (3,225,101) | (34,871,023) |
| Other decrease | (3,619,761) | (6,051,656) | — | — | (9,671,417) |
| Exchange realignment | 2,406,937 | 4,627,424 | (5,315) | (2,163) | 7,026,883 |
| Closing balance | <u>1,320,898,414</u> | <u>1,358,144,302</u> | <u>41,546,225</u> | <u>207,261,090</u> | <u>2,927,850,031</u> |
| Accumulated depreciation | | | | | |
| Opening balance | 208,074,544 | 579,405,768 | 23,630,302 | 97,055,455 | 908,166,069 |
| Increase | 42,081,006 | 141,334,329 | 5,071,205 | 22,306,166 | 210,792,706 |
| Write-off | (9,556) | (19,807,406) | (966,800) | (2,899,721) | (23,683,483) |
| Exchange realignment | 36,130 | 1,392,426 | (3,332) | 6,709 | 1,431,933 |
| Closing balance | <u>250,182,124</u> | <u>702,325,117</u> | <u>27,731,375</u> | <u>116,468,609</u> | <u>1,096,707,225</u> |
| Impairment provision | | | | | |
| Opening balance | 10,513,264 | 53,626,322 | — | 814,363 | 64,953,949 |
| Increase | — | 5,110,212 | — | 3,660 | 5,113,872 |
| Write-off | — | (1,737,030) | — | (18,032) | (1,755,062) |
| Closing balance | <u>10,513,264</u> | <u>56,999,504</u> | <u>—</u> | <u>799,991</u> | <u>68,312,759</u> |
| Net carrying amount | | | | | |
| 31 December 2015 | <u>1,060,203,026</u> | <u>598,819,681</u> | <u>13,814,850</u> | <u>89,992,490</u> | <u>1,762,830,047</u> |
| 31 December 2014 | <u>1,042,506,288</u> | <u>644,537,550</u> | <u>12,457,110</u> | <u>70,943,581</u> | <u>1,770,444,529</u> |

Notes to Financial Statements

31 December 2015

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

11. Fixed assets (continued)

2014

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

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

11. Fixed assets (continued)

Fixed assets held under operating leases are as follows:

| | 31 December 2015 | 31 December 2014 |
|-----------|-----------------------------|---------------------|
| Buildings | 56,719,315 | 61,240,498 |

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

As at 31 December 2015, the Group was in the process of applying for the title certificates of certain buildings with an aggregate carrying amount of RMB150,692,125 (31 December 2014: RMB286,026,418). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Company's management is also of the opinion that the aforesaid matter would not have any significant impact on the Group's financial position as at 31 December 2015.

12. Construction in progress

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

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

12. Construction in progress (continued)

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

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

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

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

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

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

13. Intangible assets

2015

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

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

13. Intangible assets (continued)

2014

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

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

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

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

14. Development expenditure

2015

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

2014

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

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

15. Goodwill

2015

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

2014

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

The movements of impairment of goodwill are as follows:

2015 and 2014

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

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

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

15. Goodwill (continued)

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

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

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

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

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

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

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

16. Deferred tax assets/liabilities (continued)

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

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

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

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

17. Other non-current assets

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

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

18. Provision for impairment of assets

2015

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

2014

| | Opening balance | Provision | Decrease | | Exchange realignment | Closing balance |
|---|--------------------|--------------------|---------------------|--------------------|-------------------------|--------------------|
| | | | Reversal | Write-off | | |
| Provision for bad debt | 55,714,428 | 73,820,430 | (2,767,226) | (3,027,791) | (14,491) | 123,725,350 |
| Provision for impairment of inventories | 91,763,056 | 92,131,284 | (37,038,309) | — | (3,170,135) | 143,685,896 |
| Provision for impairment of fixed assets | 45,077,605 | 22,630,475 | — | (2,754,131) | — | 64,953,949 |
| Provision for impairment of intangible assets | 131,627,620 | — | — | — | — | 131,627,620 |
| Provision for impairment of goodwill | 46,517,958 | — | — | — | — | 46,517,958 |
| | <u>370,700,667</u> | <u>188,582,189</u> | <u>(39,805,535)</u> | <u>(5,781,922)</u> | <u>(3,184,626)</u> | <u>510,510,773</u> |

Notes to Financial Statements

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

19. Short-term borrowings

| | 31 December 2015 | 31 December 2014 |
|--------------------------------|-----------------------------|---------------------|
| Other loans (Note V. 29. Note) | 53,636,349 | 4,385,940 |

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

20. Bills payable

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

21. Trade payables

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

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



Notes to Financial Statements

31 December 2015

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

22. Advances from customers

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

23. Employee benefits payable

2015

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

2014

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

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

23. Employee benefits payable (continued)

Details of short-term benefits are as follows:

2015

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

2014

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

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

23. Employee benefits payable (continued)

Details of defined contribution plan are as follows:

2015

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

2014

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

24. Taxes payable

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

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31 December 2015

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

25. Other payables

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

26. Current portion of non-current liabilities

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

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

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



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

27. Provisions

2015

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

2014

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

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

28. Deferred income

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

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

28. Deferred income (continued)

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

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

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

28. Deferred income (continued)

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

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

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

29. Long-term borrowings

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

Maturity analysis:

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

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

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

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

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

30. Long-term payables

Maturity analysis:

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

31. Other non-current liabilities

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

Note: The Group has engaged an independent appraiser to evaluate the fair value of contingent consideration. As at 9 April 2015, the fair value of contingent consideration was GBP1,456,093 (equivalent to approximately RMB13,308,396). Due to the impact of exchange realignments and discounting periods, as at 31 December 2015, the fair value of contingent consideration was revalued at RMB14,794,775. As at 31 December 2015, the contingent consideration due within one year amounting to GBP814,577 (equivalent to approximately RMB7,881,578) is not required to be repaid as the performance of the first financial year after the acquisition date did not meet the performance target stipulated under the purchase agreement and recognised into profit or loss.

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

32. Share capital

2015

Registered, issued and paid unrestricted shares:

State-owned legal person shares
Overseas listed foreign shares

| Opening/Closing balance | |
|-------------------------|----------------|
| Carrying amount | Percentage |
| 628,147,237 | 53.44% |
| 547,329,400 | 46.56% |
| 1,175,476,637 | 100.00% |

2014

Registered, issued and paid unrestricted shares:

State-owned legal person shares
Overseas listed foreign shares

| Opening/Closing balance | |
|-------------------------|----------------|
| Carrying amount | Percentage |
| 628,147,237 | 53.44% |
| 547,329,400 | 46.56% |
| 1,175,476,637 | 100.00% |

33. Capital reserve

2015

Share premium

| Opening balance | Decrease | Closing balance |
|----------------------|------------------|----------------------|
| 3,352,499,586 | (376,456) | 3,352,123,130 |

2014

Share premium

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

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

34. Other comprehensive income

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

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

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

2015

Other comprehensive income to be reclassified to profit or loss

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

2014

Other comprehensive income to be reclassified to profit or loss

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

35. Special reserve

2015

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

2014

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

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

36. Surplus reserve

2015

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

2014

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

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

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

37. Retained earnings

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

Note 1: As at 31 December 2015, included in the retained earnings under the Group's consolidated statement of changes in equity, the appropriation to surplus reserve of subsidiaries for the current year attributable to shareholders of the Parent is RMB14,358,371 (31 December 2014: RMB8,035,076).

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

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

Pursuant to the board of directors' meeting held on 24 March 2016, a proposed final dividend of RMB0.45 will be paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB528,964,487. The above proposal needs to be approved at the Annual General Meeting. Before the approval of the general meeting of shareholders, it will not form part of the Company's liabilities, therefore it was not reflected in the current year financial statements.

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

38. Revenue and cost of sales

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

Revenue is stated as follows:

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

Cost of sales is stated as follows:

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

Details of revenue are listed as follows:

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

39. Business taxes and surcharges

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

40. Administrative expenses

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

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

41. Finance costs

| | | 2015 | 2014 |
|------------------------------------|------------|---------------------|---------------------|
| Interest expenses | | 21,467,379 | 2,801,762 |
| Less: Interest capitalised | Note V. 12 | (139,972) | — |
| Interest income | | (63,057,594) | (50,943,413) |
| Exchange losses | | 6,564,943 | 3,772,223 |
| Financial institutions commissions | | 9,234,811 | 5,185,446 |
| Others | | 605,532 | (3,829,239) |
| | | <u>(25,324,901)</u> | <u>(43,013,221)</u> |

42. Asset impairment losses

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

43. Investment income

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

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

44. Non-operating income

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

45. Non-operating expenses

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

46. Expenses by nature

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

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

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

47. Income tax expense

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

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

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

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

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

48. Earnings per share

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

The calculation of basic earnings per share is as follows:

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

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

49. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

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

V. Notes to Key Items of the Consolidated Financial Statements (continued)**49. Supplementary information to the statement of cash flows** (continued)**(1) Supplementary information to the statement of cash flows** (continued)

Significant investing and financing activities which do not involve cash:

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

Movement in cash and cash equivalents:

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

(2) Information of acquiring subsidiaries

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

(3) Cash and cash equivalents

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

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

50. Assets with restrictions on title

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

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

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

Note 3: As at 31 December 2015, the title of fixed assets with a net carrying amount of RMB29,286,996 (31 December 2014: RMB29,096,352) was pledged to secure general banking facilities granted to the Group.

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

VI. Changes in scope of consolidation

1. Subsidiaries newly built up

Following subsidiaries are newly built up during current period:

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

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

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

2. Business combination not involving entities under common control

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

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VI. Changes in scope of consolidation (continued)

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

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

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

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

VI. Changes in scope of consolidation (continued)**2. Business combination not involving entities under common control** (continued)

Note 1: On the acquisition date, the fair value of intangible assets of SMD Group was GBP48,100,000 (equivalent to approximately RMB439,624,380), including technical know-how, trademarks, backlog orders and service contracts and so on. The fair value of intangible assets was calculated by the method of discounted cash flow.

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

Note 3: Pursuant to the purchase agreement, if the performances of the first financial year (2015) and the second financial year (2016) of SMD Group after the acquisition date meet certain performance targets stipulated under the purchase agreement, the Group shall pay contingent consideration from GBP0 to GBP10,100,000 (equivalent to approximately RMB92,311,980 at acquisition date) by using the retention amount of escrow account paid on the acquisition date. Furthermore, if the performances of the first financial year (2015) and the second financial year (2016) of SMD Group after the acquisition date meet certain more stringent performance targets stipulated under the purchase agreement, the Group shall pay certain additional contingent consideration up to GBP7,000,000 (equivalent to approximately RMB63,978,600 at acquisition date). On the acquisition date, the fair value of contingent consideration amounted to GBP1,456,093 (equivalent to approximately RMB13,308,396 at acquisition date). As at 31 December 2015, SMD Group did not achieve the performance target stipulated in the above agreement, the contingent consideration amounting to GBP814,577 (equivalent to approximately RMB7,881,578 as at 31 December 2015) is recognised as non-operating profit.

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

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

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VII. Interests in other entities

1. Interests in subsidiaries

Particulars of subsidiaries of the Company are as follows:

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

VII. Interests in other entities (continued)**1. Interests in subsidiaries** (continued)

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

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

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

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

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VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

Subsidiaries with significant non-controlling interests are as follows:

2015

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

2014

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

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

31 December 2015

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

VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

Baoji Times

31 December 2014

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

2. Interests in joint ventures and associates

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

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

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VII. Interests in other entities (continued)

2. Interests in joint ventures and associates (continued)

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

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

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

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

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

VIII. Risks related to financial instruments

1. Classification of financial instruments

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

31 December 2015

Financial assets

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

Financial liabilities

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

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VIII. Risks related to financial instruments (continued)

1. Classification of financial instruments (continued)

31 December 2014

Financial assets

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

Financial liabilities

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

VIII. Risks related to financial instruments (continued)

2. Transfer of financial assets

Transferred financial assets that are not derecognised in their entirety

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

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

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

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

3. Financial instruments and their risks

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

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

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VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Credit risk

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

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

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

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

31 December 2015

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

VIII. Risks related to financial instruments (continued)**3. Financial instruments and their risks** (continued)**Credit risk** (continued)

31 December 2014

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

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

Liquidity risk

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

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

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

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VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Liquidity risk (continued)

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

31 December 2015

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

31 December 2014

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

VIII. Risks related to financial instruments (continued)**3. Financial instruments and their risks** (continued)**Market risk***Interest rate risk*

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

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

2015

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

2014

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

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VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Foreign currency risks (continued)

Foreign currency risk

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

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

2015

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

III. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Market risk (continued)*Foreign currency risk* (continued)

2014

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

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VIII. Risks related to financial instruments (continued)

4. Capital management

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

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is no subject to any externally imposed capital requirements. No changes were made in the objectives and processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio below 30%. Net debt includes interest-bearing bank and other borrowings, bills payable, trade payables, advances from customers, employee benefits payable, interests payable, other taxes payable excluding income tax payable, other payables and long-term payables, less cash and cash equivalents. Capital includes equity attributable to shareholders of the Parent. The gearing ratios as at balance sheet date were as follows:

| | 31 December 2015 | 31 December 2014 |
|--|-----------------------------|---------------------|
| Short-term borrowings | 53,636,349 | 4,385,940 |
| Bills payable | 1,733,675,268 | 1,569,649,099 |
| Trade payables | 2,432,533,665 | 1,861,391,032 |
| Advances from customers | 888,730,895 | 588,010,023 |
| Employee benefits payable | 50,365,378 | 52,112,041 |
| Interests payable | 2,504,772 | – |
| Taxes payable (excluding income tax payable) | 86,932,468 | 55,722,507 |
| Other payables | 295,070,864 | 373,833,468 |
| Long-term borrowings (inclusive of current portion of non-current liabilities) | 1,034,691,243 | 48,807,793 |
| Long-term payables | 116,298,371 | 66,444,529 |
| Less: Cash and cash equivalents | 3,351,119,633 | 2,647,816,044 |
| Net debt | 3,343,319,640 | 1,972,540,388 |
| Equity attributable to the shareholders of the Parent | 13,472,266,840 | 10,990,995,686 |
| Capital and net debt | 16,815,586,480 | 12,963,536,074 |
| Gearing ratio | 19.88% | 15.22% |

IX. Fair value

1. Assets and liabilities measured at fair value

31 December 2015

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

31 December 2014

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

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IX. Fair value (continued)

2. Fair value evaluation

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

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

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

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

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

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

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

X. Related party relationships and transactions

1. Parent company

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

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

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

2. Subsidiaries

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

Investments in subsidiaries

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

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

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X. Related party relationships and transactions (continued)

3. Joint ventures and associates

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

4. Other related parties

Company names

Changzhou Ruitai Engineering Machinery Co., Ltd.

CRRC Shijiazhuang Co., Ltd.

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

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

Beijing North Gofront Science Business Co., Ltd.

CRRC Guangdong Rolling Stock Co., Ltd.

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

CRRC Qishuyan Locomotive Co., Ltd.

Ningbo Jiangbei Gofront Herong Electric Co., Ltd.

Guangzhou Electrical Locomotive Co., Ltd.

Shijiazhuang King Transportation Equipment Co., Ltd.

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

Sichuan Brake Technology Co., Ltd.

CSR Yangtze Tongling Rolling Stock Co., Ltd.

CRRC Changzhou Tech-mark Industrial Co., Ltd.

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

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

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

Ziyang CSR Electric Locomotive Co., Ltd.

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

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

CSR Finance Co., Ltd.

Chengdu CSR Electric Co., Ltd.

Ziyang CSR Electric Co., Ltd.

Zhuzhou CSR Logistics Co., Ltd.

Nanjing Puzhen Haitai Brake Equipment Co., Ltd.

Chengdu CSR Tongli Railway Vehicles Co., Ltd.

Wuhan CSR Sifang Maintenance Center Co., Ltd.

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

Guangzhou CSR Urban Rail Equipment Co., Ltd.

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

Relations

Corporation controlled by the ultimate holding party

Corporation controlled by the ultimate holding party

Corporation controlled by the ultimate holding party

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Corporation controlled by the ultimate holding party

Corporation controlled by the ultimate holding party

X. Related party relationships and transactions (continued)**4. Other related parties** (continued)

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

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X. Related party relationships and transactions (continued)

4. Other related parties (continued)

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

X. Related party relationships and transactions (continued)**4. Other related parties** (continued)**Company names**

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

Relations

Corporation controlled by the ultimate holding party
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
A joint venture of the ultimate holding group
A joint venture of the ultimate holding group
A joint venture of the ultimate holding group
A joint venture of the ultimate holding group
Associate of the ultimate holding group
A joint venture of the group of parent company
Associate of the group of parent company

5. Major transactions between the Group and its related parties**(1) Sales of goods to related parties**

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

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X. Related party relationships and transactions (continued)

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

(2) Purchases of goods from related parties

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

(3) Sales of electricity to related parties

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

(4) Purchases of electricity from related parties

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

(5) Sales of fixed assets to related parties

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

(6) Purchases of fixed assets from related parties

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

X. Related party relationships and transactions (continued)**5. Major transactions between the Group and its related parties** (continued)**(7) Related party leases**

As lessor

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

As lessee

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

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

(8) Technical service income from related parties

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

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X. Related party relationships and transactions (continued)

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

(9) Maintenance services provided to related parties

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

(10) Technical service fees paid to related parties

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

(11) Project management fees paid to related parties

| | 2015 | 2014 |
|----------------|------------------|----------|
| Parent company | 1,380,000 | — |
| | <u>1,380,000</u> | <u>—</u> |

X. Related party relationships and transactions (continued)**5. Major transactions between the Group and its related parties** (continued)**(12) Fund lending between related parties**

Fund borrowed in

2015

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

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

(13) Interest income from entrusted loan

| | 2015 | 2014 |
|----------------|------|------------|
| Parent company | — | 24,854,795 |

(14) Interest income from cash and bank balances

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

(15) Interest expense to borrowings

| | 2015 | 2014 |
|-----------------------------------|---------|------|
| Shareholder of the parent company | 139,972 | — |

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X. Related party relationships and transactions (continued)

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

(16) Remuneration of key management

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

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

(17) Commitments between the Group and related parties

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

Sales of goods to related parties

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

Purchases of goods from related parties

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

Operating lease commitments to related parties

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

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

X. Related party relationships and transactions (continued)**6. Amounts due from and due to related parties**

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

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X. Related party relationships and transactions (continued)

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

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

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

X. Related party relationships and transactions (continued)**6. Amounts due from and due to related parties** (continued)

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

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X. Related party relationships and transactions (continued)

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

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

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

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

XI. Commitments and contingencies

1. Commitments

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

2. Contingencies

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

XII. Post balance sheet events

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

XIII. Other significant events

1. Segment reporting

Operating segments

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

Other information

Products and services information

Revenue from external customers

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

Geographical information

Revenue from external customers

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

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

Total non-current assets

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

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

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XIII. Other significant events (continued)

1. Segment reporting (continued)

Other information (continued)

Information of major customers

In 2015, the Group's operating revenue (which accounted for more than 10% of the Group's total revenue) of RMB7,871,218,911 was derived from sales to a single customer, including sales to a group of entities which are known to be under the control of the customer (2014: RMB7,801,176,216 from a single customer, including sales to a group of entities which are known to be under the control of the customer).

2. Operating lease

As lessor

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

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

As lessee

Significant operating leases

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

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

XIII. Other significant events (continued)**3. Other financial information****(1) Net current assets and total assets less current liabilities**

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

(2) Contributions paid to pension plans

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

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

(3) Remuneration of directors, supervisors and chief executive

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

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

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XIII. Other significant events (continued)

3. Other financial information (continued)

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

2015

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

XIII. Other significant events (continued)**3. Other financial information** (continued)**(3) Remuneration of directors, supervisors and chief executive** (continued)

2014

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

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

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

Notes to Financial Statements

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XIII. Other significant events (continued)

3. Other financial information (continued)

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

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

| | 2015 | 2014 |
|--|----------|----------|
| Director, supervisor and chief executive | 1 | 1 |
| Non-director and non-supervisor employee | 4 | 4 |
| | 5 | 5 |

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

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

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

| | 2015 | 2014 |
|------------------------------|----------|----------|
| HKD1,000,001 to HKD2,000,000 | 1 | 3 |
| HKD2,000,001 to HKD3,000,000 | 1 | 1 |
| HKD3,000,001 to HKD4,000,000 | 1 | — |
| HKD4,000,001 to HKD5,000,000 | 1 | — |
| | 4 | 4 |

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

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

1. Cash and bank balances

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

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

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

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

2. Bills receivable

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

Five highest bills receivable are listed as follows:

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

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31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

2. Bills receivable (continued)

Five highest bills receivable are listed as follows: (continued)

| | 31 December 2014 |
|--|----------------------|
| CRRC Zhuzhou Locomotive Co., Ltd. | 1,070,000,000 |
| CRRC Sifang Rolling Stock Co., Ltd. | 264,000,000 |
| CRRC Qingdao Sifang Locomotive & Rolling Stock Co., Ltd. | 255,000,000 |
| Non-related party | 230,896,000 |
| Ziyang CSR Electric Locomotive Co., Ltd. | 162,200,000 |
| | <u>1,982,096,000</u> |

3. Trade receivables

The credit period of trade receivables is usually 6 months. The trade receivables bear no interest.

Maturity analysis:

| | 31 December 2015 | 31 December 2014 |
|--|-----------------------------|----------------------|
| Within 6 months | 3,095,663,847 | 2,465,983,270 |
| 6 months to 1 year | 399,341,554 | 256,534,331 |
| 1 to 2 years | 429,310,695 | 397,207,221 |
| 2 to 3 years | 116,865,529 | 25,197,912 |
| Over 3 years | 20,863,402 | 6,354,159 |
| | <u>4,062,045,027</u> | <u>3,151,276,893</u> |
| Less: Provision for bad debt | 98,154,429 | 99,729,772 |
| | <u>3,963,890,598</u> | <u>3,051,547,121</u> |
| Less: Classified as non-current assets (Note XIV. 9) | 3,337,685 | 19,847,943 |
| | <u>3,960,552,913</u> | <u>3,031,699,178</u> |

XIV. Notes to Key Items of the Company's Financial Statements (continued)

3. Trade receivables (continued)

The movements of provision for bad debt are as follows:

| | 2015 | 2014 |
|-------------------------------|-------------------|-------------------|
| Opening balance | 99,729,772 | 38,595,681 |
| Provision in the current year | 42,604,342 | 63,798,423 |
| Reversal in the current year | (42,638,431) | (276,807) |
| Write-off in the current year | (1,541,254) | (2,387,525) |
| Closing balance | <u>98,154,429</u> | <u>99,729,772</u> |

Five highest trade receivables (including long-term trade receivables) are listed as follows:

| | 31 December 2015 | 31 December 2014 |
|--|----------------------|----------------------|
| CRRC Zhuzhou Locomotive Co., Ltd. | 483,075,646 | |
| Times Electronics | 454,309,540 | 377,226,963 |
| CRRC Qingdao Sifang Locomotive & Rolling Stock Co., Ltd. | 400,426,622 | 278,202,177 |
| Non-related party 1 | 187,100,443 | 235,300,005 |
| Non-related party 2 | 156,859,466 | 187,137,679 |
| | <u>1,681,771,717</u> | 123,548,658 |
| | | <u>1,201,415,482</u> |

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

4. Dividends receivable

| | 31 December 2015 | 31 December 2014 |
|-------------------|-----------------------------|---------------------|
| Times Electronics | — | 30,000,000 |

5. Prepayments

Maturity analysis:

| | 31 December 2015 | 31 December 2014 |
|---------------|-----------------------------|---------------------|
| Within 1 year | 93,249,265 | 94,710,153 |
| 1 to 2 years | 3,731,836 | 32,487,457 |
| 2 to 3 years | 2,401,953 | 45,100 |
| Over 3 years | 1,115,554 | 1,261,099 |
| | 100,498,608 | 128,503,809 |

Five highest prepayments are as follows:

| | 31 December 2015 | 31 December 2014 |
|---------------------|-----------------------------|---------------------|
| Dynex Semiconductor | 29,852,013 | |
| Non-related party 1 | 25,100,720 | |
| Hunan CSR Wabtec | 17,599,826 | |
| Non-related party 2 | 8,555,100 | |
| Non-related party 3 | 4,121,332 | |
| | 85,228,991 | |
| | | 31 December 2014 |
| Dynex Semiconductor | | 30,832,196 |
| Baoji Times | | 27,948,800 |
| Hunan CSR Wabtec | | 20,000,000 |
| Non-related party 1 | | 14,382,020 |
| Non-related party 2 | | 8,684,138 |
| | | 101,847,154 |

XIV. Notes to Key Items of the Company's Financial Statements (continued)

6. Other receivables

Maturity analysis:

| | 31 December 2015 | 31 December 2014 |
|------------------------------|---------------------------|---------------------------|
| Within 1 year | 155,067,698 | 71,660,143 |
| 1 to 2 years | 12,367,304 | 23,307,383 |
| 2 to 3 years | 21,293,693 | 31,078,496 |
| Over 3 years | 90,318,065 | 74,915,642 |
| | <u>279,046,760</u> | <u>200,961,664</u> |
| Less: Provision for bad debt | 3,962,449 | 4,501,538 |
| | <u><u>275,084,311</u></u> | <u><u>196,460,126</u></u> |

The movements of provision for bad debt are as follows:

| | 2015 | 2014 |
|---------------------------|------------------|------------------|
| Opening balance | 4,501,538 | 2,505,868 |
| Provision in current year | 1,343,831 | 1,995,670 |
| Reversal in current year | (1,673,220) | — |
| Write-off in current year | (209,700) | — |
| | <u>3,962,449</u> | <u>4,501,538</u> |

Other receivables by nature are as follows:

| | 31 December 2015 | 31 December 2014 |
|-------------------------------|---------------------|---------------------|
| Customs deposit | — | 40,215,000 |
| Receivables from subsidiaries | 235,492,314 | 133,573,212 |
| Tender deposit | 25,006,064 | 9,270,404 |
| Others | 14,585,933 | 13,401,510 |
| | <u>275,084,311</u> | <u>196,460,126</u> |

Notes to Financial Statements

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

6. Other receivables (continued)

Five highest other receivables are as follows:

| | 31 December 2015 |
|-------------------|---------------------|
| Times Information | 65,630,216 |
| Ningbo Electric | 57,600,000 |
| Kunming Electric | 52,095,000 |
| HK Electric | 48,360,244 |
| Baoji Times | 4,860,000 |
| | <u>228,545,460</u> |
| | 31 December 2014 |
| Baoji Times | 62,220,892 |
| Times Information | 47,595,000 |
| Shenyang Times | 40,215,000 |
| Kunming Electric | 15,000,000 |
| Non-related party | 4,159,674 |
| | <u>169,190,566</u> |

7. Inventories

| | 31 December 2015 | | |
|------------------------|--------------------------|-------------------------|----------------------|
| | Gross carrying amount | Impairment provision | Carrying amount |
| Raw materials | 532,941,985 | 66,801,789 | 466,140,196 |
| Semi-finished products | 305,856,260 | 67,909,341 | 237,946,919 |
| Work in progress | 93,250,337 | — | 93,250,337 |
| Finished goods | 1,488,174,493 | 10,541,756 | 1,477,632,737 |
| Turnover materials | 14,778,398 | 1,502,174 | 13,276,224 |
| | <u>2,435,001,473</u> | <u>146,755,060</u> | <u>2,288,246,413</u> |

XIV. Notes to Key Items of the Company's Financial Statements (continued)

7. Inventories (continued)

| | 31 December 2014 | | |
|------------------------|-----------------------|----------------------|----------------------|
| | Gross carrying amount | Impairment provision | Carrying amount |
| Raw materials | 403,353,194 | 33,383,431 | 369,969,763 |
| Semi-finished products | 198,223,961 | 45,041,013 | 153,182,948 |
| Work in progress | 66,722,901 | — | 66,722,901 |
| Finished goods | 1,140,885,569 | 5,110,764 | 1,135,774,805 |
| Turnover materials | 5,180,430 | 349,879 | 4,830,551 |
| | <u>1,814,366,055</u> | <u>83,885,087</u> | <u>1,730,480,968</u> |

The movements of provision for impairment of inventories are as follows:

2015

| | Opening balance | Provision | Write-off and reversal | Closing balance |
|------------------------|-------------------|-------------------|------------------------|--------------------|
| Raw materials | 33,383,431 | 33,418,358 | — | 66,801,789 |
| Semi-finished products | 45,041,013 | 59,367,471 | (36,499,143) | 67,909,341 |
| Finished goods | 5,110,764 | 5,754,661 | (323,669) | 10,541,756 |
| Turnover materials | 349,879 | 1,152,295 | — | 1,502,174 |
| | <u>83,885,087</u> | <u>99,692,785</u> | <u>(36,822,812)</u> | <u>146,755,060</u> |

2014

| | Opening balance | Provision | Write-off and reversal | Closing balance |
|------------------------|-------------------|-------------------|------------------------|-------------------|
| Raw materials | 33,031,403 | 2,104,632 | (1,752,604) | 33,383,431 |
| Semi-finished products | 8,657,811 | 36,499,143 | (115,941) | 45,041,013 |
| Finished goods | 14,228,646 | 900,145 | (10,018,027) | 5,110,764 |
| Turnover materials | 913,893 | 48,379 | (612,393) | 349,879 |
| | <u>56,831,753</u> | <u>39,552,299</u> | <u>(12,498,965)</u> | <u>83,885,087</u> |

Notes to Financial Statements

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Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

8. Other current assets

| | 31 December 2015 | 31 December 2014 |
|--------------------------------|-----------------------------|----------------------|
| Bank financial products (Note) | 2,901,794,247 | 2,664,709,726 |
| Value-added tax retained | 17,783,516 | 33,756,045 |
| Other tax retained | 25,535,287 | 761,520 |
| | <u>2,945,113,050</u> | <u>2,699,227,291</u> |

Note: As at 31 December 2015, the bank financial products hold by the Company are with expected yield rates from 3.10 % to 4.05% (31 December 2014: 3.20%-4.90 %). These bank financial products will expire in succession before 2 July 2016.

9. Long-term receivables

| | 31 December 2015 | 31 December 2014 |
|---|-----------------------------|---------------------|
| Trade receivables (Note XIV. 3) | 3,337,685 | 19,847,943 |
| Less: Long-term receivables due within one year | — | — |
| | <u>3,337,685</u> | <u>19,847,943</u> |

10. Long-term equity investments

| | 31 December 2015 | 31 December 2014 |
|--|-----------------------------|----------------------|
| Long-term equity investments using equity method | 219,963,217 | 237,010,505 |
| Long-term equity investments using cost method | 1,516,258,390 | 1,106,747,990 |
| | <u>1,736,221,607</u> | <u>1,343,758,495</u> |
| Less: Impairment of long-term investments | 49,699,261 | 49,699,261 |
| | <u>1,686,522,346</u> | <u>1,294,059,234</u> |

Changes in long-term equity investments impairment are as follows:

| | 2015 | 2014 |
|-------------------------------|--------------------------|-------------------|
| Opening balance | 49,699,261 | 49,699,261 |
| Provision in the current year | — | — |
| Closing balance | <u>49,699,261</u> | <u>49,699,261</u> |

XIV. Notes to Key Items of the Company's Financial Statements (continued)

10. Long-term equity investments (continued)

Long-term equity investments using equity method

2015

| | Current year movements | | | | Closing balance |
|---|------------------------|------------------------------|---------------------------------------|--------------------------|--------------------|
| | Opening balance | Impact of unrealised profits | Investment income under equity method | Cash dividends announced | |
| Non-listed investments Equity method | | | | | |
| A joint venture | | | | | |
| Shiling | 180,186,598 | (22,846,297) | 49,915,571 | (50,000,000) | 157,255,872 |
| Associates | | | | | |
| Zhuzhou Siemens | 49,577,867 | — | 3,172,372 | — | 52,750,239 |
| Hunan CSR Wabtec | 7,246,040 | — | 2,711,066 | — | 9,957,106 |
| | <u>56,823,907</u> | <u>—</u> | <u>5,883,438</u> | <u>—</u> | <u>62,707,345</u> |
| | <u>237,010,505</u> | <u>(22,846,297)</u> | <u>55,799,009</u> | <u>(50,000,000)</u> | <u>219,963,217</u> |

2014

| | Current year movements | | | | Closing balance |
|---|------------------------|------------------------------|---------------------------------------|--------------------------|--------------------|
| | Opening balance | Impact of unrealised profits | Investment income under equity method | Cash dividends announced | |
| Non-listed investments Equity method | | | | | |
| A joint venture | | | | | |
| Shiling | 176,232,966 | (36,604,782) | 51,558,414 | (11,000,000) | 180,186,598 |
| Associates | | | | | |
| Zhuzhou Siemens | 47,029,031 | — | 2,548,836 | — | 49,577,867 |
| Hunan CSR Wabtec | 9,691,451 | — | (2,445,411) | — | 7,246,040 |
| | <u>56,720,482</u> | <u>—</u> | <u>103,425</u> | <u>—</u> | <u>56,823,907</u> |
| | <u>232,953,448</u> | <u>(36,604,782)</u> | <u>51,661,839</u> | <u>(11,000,000)</u> | <u>237,010,505</u> |

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

10. Long-term equity investments (continued)

Long-term equity investments using cost method

2015

| | Opening balance | Changes | Closing balance |
|---|----------------------|--------------------|----------------------|
| Non-listed investments | | | |
| Times Electronics | 182,977,618 | — | 182,977,618 |
| Ningbo Times | 133,507,255 | — | 133,507,255 |
| Times Information | 29,000,000 | — | 29,000,000 |
| Times USA | 3,187,516 | — | 3,187,516 |
| Times Equipment | 99,561,157 | — | 99,561,157 |
| Shenyang Times | 56,000,000 | — | 56,000,000 |
| Baoji Times | 260,000,000 | — | 260,000,000 |
| Kunming Electric | 3,000,000 | — | 3,000,000 |
| Hangzhou Electric | 33,000,000 | — | 33,000,000 |
| Guangzhou Times | 18,000,000 | — | 18,000,000 |
| HK Electric | 8,098,000 | 344,210,400 | 352,308,400 |
| Times Australia | 1,814,037 | — | 1,814,037 |
| Ningbo Electric | 10,000,000 | — | 10,000,000 |
| Times Brasil | 4,062,679 | — | 4,062,679 |
| Qingdao Electric | 22,500,000 | — | 22,500,000 |
| Yueqing CSR Railway | — | 15,300,000 | 15,300,000 |
| Software Company | — | 50,000,000 | 50,000,000 |
| Shanghai CSR Railway | 25,500,000 | — | 25,500,000 |
| | 890,208,262 | 409,510,400 | 1,299,718,662 |
| Listed investments | | | |
| Dynex | 216,539,728 | — | 216,539,728 |
| | 1,106,747,990 | 409,510,400 | 1,516,258,390 |
| Less: Impairment of long-term investments | 49,699,261 | — | 49,699,261 |
| | 1,057,048,729 | 409,510,400 | 1,466,559,129 |

XIV. Notes to Key Items of the Company's Financial Statements (continued)**10. Long-term equity investments** (continued)**Long-term equity investments using cost method** (continued)

2014

| | Opening balance | Changes | Closing balance |
|---|---------------------------|---------------------------|-----------------------------|
| Non-listed investments | | | |
| Times Electronics | 182,977,618 | — | 182,977,618 |
| Ningbo Times | 133,507,255 | — | 133,507,255 |
| Times Information | 29,000,000 | — | 29,000,000 |
| Times USA | 3,187,516 | — | 3,187,516 |
| Times Equipment | 34,561,157 | 65,000,000 | 99,561,157 |
| Shenyang Times | 3,000,000 | 53,000,000 | 56,000,000 |
| Baoji Times | 160,000,000 | 100,000,000 | 260,000,000 |
| Kunming Electric | 3,000,000 | — | 3,000,000 |
| Hangzhou Electric | 33,000,000 | — | 33,000,000 |
| Guangzhou Times | 18,000,000 | — | 18,000,000 |
| HK Electric | 8,098,000 | — | 8,098,000 |
| Times Australia | 1,814,037 | — | 1,814,037 |
| Ningbo Electric | 10,000,000 | — | 10,000,000 |
| Times Brasil | 4,062,679 | — | 4,062,679 |
| Qingdao Electric | — | 22,500,000 | 22,500,000 |
| Shanghai CSR Railway | — | 25,500,000 | 25,500,000 |
| | <u>624,208,262</u> | <u>266,000,000</u> | <u>890,208,262</u> |
| Listed investments | | | |
| Dynex | <u>216,539,728</u> | <u>—</u> | <u>216,539,728</u> |
| | 840,747,990 | 266,000,000 | 1,106,747,990 |
| Less: Impairment of long-term investments | <u>49,699,261</u> | <u>—</u> | <u>49,699,261</u> |
| | <u><u>791,048,729</u></u> | <u><u>266,000,000</u></u> | <u><u>1,057,048,729</u></u> |

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

11. Fixed assets

2015

| | Buildings | Machinery | Vehicles | Office facilities and others | Total |
|--------------------------|--------------------|--------------------|-------------------|------------------------------|----------------------|
| Cost | | | | | |
| Opening balance | 863,781,874 | 907,448,031 | 22,077,650 | 124,665,898 | 1,917,973,453 |
| Purchase | — | 22,898,274 | 3,873,084 | 31,676,298 | 58,447,656 |
| Construction in progress | 12,837,897 | 43,102,416 | — | 4,244,605 | 60,184,918 |
| Sale and disposal | — | (19,753,200) | (470,704) | (2,619,752) | (22,843,656) |
| Other decrease | (3,619,762) | (6,051,656) | — | — | (9,671,418) |
| Closing balance | <u>873,000,009</u> | <u>947,643,865</u> | <u>25,480,030</u> | <u>157,967,049</u> | <u>2,004,090,953</u> |
| Accumulated depreciation | | | | | |
| Opening balance | 136,641,269 | 416,039,454 | 15,609,950 | 79,406,445 | 647,697,118 |
| Increase | 25,215,686 | 114,710,465 | 2,760,675 | 14,091,296 | 156,778,122 |
| Write-off | — | (15,428,014) | (447,169) | (2,209,580) | (18,084,763) |
| Closing balance | <u>161,856,955</u> | <u>515,321,905</u> | <u>17,923,456</u> | <u>91,288,161</u> | <u>786,390,477</u> |
| Impairment provision | | | | | |
| Opening balance | 10,513,264 | 53,103,610 | — | 117,112 | 63,733,986 |
| Increase | — | 4,510,982 | — | 602,891 | 5,113,873 |
| Write-off | — | (1,244,326) | — | (4,385) | (1,248,711) |
| Closing balance | <u>10,513,264</u> | <u>56,370,266</u> | <u>—</u> | <u>715,618</u> | <u>67,599,148</u> |
| Net carrying amount | | | | | |
| 31 December 2015 | <u>700,629,790</u> | <u>375,951,694</u> | <u>7,556,574</u> | <u>65,963,270</u> | <u>1,150,101,328</u> |
| 31 December 2014 | <u>716,627,341</u> | <u>438,304,967</u> | <u>6,467,700</u> | <u>45,142,341</u> | <u>1,206,542,349</u> |

XIV. Notes to Key Items of the Company's Financial Statements (continued)

11. Fixed assets (continued)

2014

| | Buildings | Machinery | Vehicles | Office facilities and others | Total |
|--------------------------|--------------------|--------------------|-------------------|------------------------------|----------------------|
| Cost | | | | | |
| Opening balance | 739,786,774 | 695,465,035 | 23,034,310 | 123,520,955 | 1,581,807,074 |
| Purchase | — | 16,436,465 | 1,493,811 | 20,934,409 | 38,864,685 |
| Construction in progress | 123,995,100 | 215,977,005 | — | 203,407 | 340,175,512 |
| Sale and disposal | — | (18,366,934) | (2,450,471) | (6,216,678) | (27,034,083) |
| Other decrease | — | (2,063,540) | — | (13,776,195) | (15,839,735) |
| Closing balance | <u>863,781,874</u> | <u>907,448,031</u> | <u>22,077,650</u> | <u>124,665,898</u> | <u>1,917,973,453</u> |
| Accumulated depreciation | | | | | |
| Opening balance | 113,323,078 | 292,651,707 | 15,228,401 | 79,068,719 | 500,271,905 |
| Increase | 23,318,191 | 138,669,336 | 2,726,126 | 15,055,079 | 179,768,732 |
| Write-off | — | (13,909,417) | (2,344,577) | (5,191,828) | (21,445,822) |
| Other decrease | — | (1,372,172) | — | (9,525,525) | (10,897,697) |
| Closing balance | <u>136,641,269</u> | <u>416,039,454</u> | <u>15,609,950</u> | <u>79,406,445</u> | <u>647,697,118</u> |
| Impairment provision | | | | | |
| Opening balance | 9,411,739 | 34,262,797 | — | 128,736 | 43,803,272 |
| Increase | 1,101,525 | 21,521,983 | — | 6,967 | 22,630,475 |
| Write-off | — | (2,681,170) | — | (18,591) | (2,699,761) |
| Closing balance | <u>10,513,264</u> | <u>53,103,610</u> | <u>—</u> | <u>117,112</u> | <u>63,733,986</u> |
| Net carrying amount | | | | | |
| 31 December 2014 | <u>716,627,341</u> | <u>438,304,967</u> | <u>6,467,700</u> | <u>45,142,341</u> | <u>1,206,542,349</u> |
| 31 December 2013 | <u>617,051,957</u> | <u>368,550,531</u> | <u>7,805,909</u> | <u>44,323,500</u> | <u>1,037,731,897</u> |

The carrying amount of fixed assets on operating lease is as follows:

| | 31 December 2015 | 31 December 2014 |
|-----------|-------------------|-------------------|
| Buildings | <u>53,840,320</u> | <u>57,939,398</u> |

Notes to Financial Statements

31 December 2015

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

12. Construction in Progress

| | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Power electronic devices & electric drive system test platform construction project | 91,493,884 | 88,054,052 |
| SIC-based power electronic devices lab & fab construction project | 24,535,133 | 1,538,331 |
| Copper electroplating system | 14,595,848 | — |
| Maotangao staff dorm building B interior decoration project | 9,347,570 | 3,269,048 |
| Electron irradiation processing facility construction project | 7,134,987 | 4,203,858 |
| Others | 17,069,599 | 21,826,120 |
| | <u>164,177,021</u> | <u>118,891,409</u> |

The movements of construction in progress in 2015 are as follows:

| | Budget | Opening balance | Increase | Transfers to fixed assets | Closing balance | Capital resource | Proportion of budget invested |
|---|-------------|--------------------|--------------------|------------------------------|--------------------|----------------------------------|-------------------------------------|
| Power electronic devices & electric drive system test platform construction project | 156,100,000 | 88,054,052 | 17,818,464 | 14,378,632 | 91,493,884 | Self-raised | 68% |
| SIC-based power electronic devices lab & fab construction project | 292,650,000 | 1,538,331 | 22,996,802 | — | 24,535,133 | Self-raised and government grant | 8% |
| Copper electroplating system | 15,426,100 | — | 14,595,848 | — | 14,595,848 | Self-raised | 95% |
| Maotangao staff dorm building B interior decoration project | 9,371,700 | 3,269,048 | 6,078,522 | — | 9,347,570 | Self-raised | 100% |
| Electron irradiation processing facility construction project | 7,500,000 | 4,203,858 | 3,117,453 | 186,324 | 7,134,987 | Self-raised | 98% |
| Maotangao staff dorm construction project | 121,436,500 | 5,389,782 | 9,281,450 | 14,671,232 | — | Self-raised and government grant | 100% |
| Others | | 16,436,338 | 31,581,991 | 30,948,730 | 17,069,599 | | |
| | | <u>118,891,409</u> | <u>105,470,530</u> | <u>60,184,918</u> | <u>164,177,021</u> | | |

XIV. Notes to Key Items of the Company's Financial Statements (continued)

12. Construction in Progress (continued)

The movements of construction in progress in 2014 are as follows:

| | Budget | Opening balance | Increase | Transfers to fixed assets | Closing balance | Capital resource | Proportion of budget invested |
|---|-------------|--------------------|--------------------|------------------------------|--------------------|-------------------------------------|-------------------------------------|
| Power electronic devices & electric drive system test platform construction project | 156,100,000 | — | 88,054,052 | — | 88,054,052 | Self-raised | 56% |
| Maotangao staff dorm building construction project | 121,436,500 | 85,507,535 | 34,555,212 | 114,672,965 | 5,389,782 | Self-raised and government grant | 99% |
| 8 MW golden sun demonstration project | 72,000,000 | 51,430,000 | 20,629,269 | 72,059,269 | — | Self-raised and government grant | 100% |
| Converter manufacturing plant construction project | 165,000,000 | 1,205,680 | 3,695,396 | 4,901,076 | — | Self-raised | 96% |
| Photovoltaic power generation comprehensive test system construction project | 13,500,000 | 13,091,536 | 97,863 | 13,189,399 | — | Self-raised and government grant | 98% |
| Others | | 74,764,986 | 86,035,392 | 135,352,803 | 25,447,575 | | |
| | | <u>225,999,737</u> | <u>233,067,184</u> | <u>340,175,512</u> | <u>118,891,409</u> | | |

Note: The Company received special loan for constructions in progress. The interest expense amounting to RMB 139,972 has been capitalised.

Notes to Financial Statements

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

13. Intangible assets

2015

| | Land use rights | Software licenses | Patents, licenses and technical know-how | Total |
|--------------------------|--------------------|----------------------|---|--------------------|
| Cost | | | | |
| Opening balance | 74,494,406 | 69,430,395 | 202,947,781 | 346,872,582 |
| Purchase | — | 4,808,718 | 82,127,284 | 86,936,002 |
| Closing balance | <u>74,494,406</u> | <u>74,239,113</u> | <u>285,075,065</u> | <u>433,808,584</u> |
| Accumulated amortisation | | | | |
| Opening balance | 12,458,031 | 56,438,005 | 30,688,333 | 99,584,369 |
| Increase | 1,477,623 | 7,064,218 | 7,686,347 | 16,228,188 |
| Closing balance | <u>13,935,654</u> | <u>63,502,223</u> | <u>38,374,680</u> | <u>115,812,557</u> |
| Impairment provision | | | | |
| Opening balance | — | — | 131,627,620 | 131,627,620 |
| Closing balance | <u>—</u> | <u>—</u> | <u>131,627,620</u> | <u>131,627,620</u> |
| Net carrying amount | | | | |
| 31 December 2015 | <u>60,558,752</u> | <u>10,736,890</u> | <u>115,072,765</u> | <u>186,368,407</u> |
| 31 December 2014 | <u>62,036,375</u> | <u>12,992,390</u> | <u>40,631,828</u> | <u>115,660,593</u> |

XIV. Notes to Key Items of the Company's Financial Statements (continued)

13. Intangible assets (continued)

2014

| | Land use rights | Software licenses | Patents, licenses and technical know-how | Total |
|--------------------------|--------------------|----------------------|---|--------------------|
| Cost | | | | |
| Opening balance | 74,494,406 | 66,426,294 | 173,593,855 | 314,514,555 |
| Purchase | — | 3,004,101 | — | 3,004,101 |
| Internal development | — | — | 29,353,926 | 29,353,926 |
| Closing balance | <u>74,494,406</u> | <u>69,430,395</u> | <u>202,947,781</u> | <u>346,872,582</u> |
| Accumulated amortisation | | | | |
| Opening balance | 10,980,408 | 48,001,713 | 27,467,696 | 86,449,817 |
| Increase | 1,477,623 | 8,436,292 | 3,220,637 | 13,134,552 |
| Closing balance | <u>12,458,031</u> | <u>56,438,005</u> | <u>30,688,333</u> | <u>99,584,369</u> |
| Impairment provision | | | | |
| Opening balance | — | — | 131,627,620 | 131,627,620 |
| Closing balance | <u>—</u> | <u>—</u> | <u>131,627,620</u> | <u>131,627,620</u> |
| Net carrying amount | | | | |
| 31 December 2014 | <u>62,036,375</u> | <u>12,992,390</u> | <u>40,631,828</u> | <u>115,660,593</u> |
| 31 December 2013 | <u>63,513,998</u> | <u>18,424,581</u> | <u>14,498,539</u> | <u>96,437,118</u> |

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

14. Deferred tax assets

| | 31 December 2015 | | 31 December 2014 | |
|---|----------------------------------|---------------------|----------------------------------|---------------------|
| | Deductible temporary differences | Deferred tax assets | Deductible temporary differences | Deferred tax assets |
| Provision for product quality warranties | 842,666,295 | 126,399,944 | 797,513,605 | 119,627,040 |
| Provision for impairment of assets | 431,984,157 | 64,797,623 | 380,526,216 | 57,078,932 |
| Government grants | 267,358,640 | 40,103,796 | 197,144,057 | 29,571,609 |
| Depreciation differences arising from different depreciation terms in tax laws and accounting | 101,068,579 | 15,160,287 | 73,308,271 | 10,996,241 |
| Payroll payable | 14,023,402 | 2,103,510 | 27,877,180 | 4,181,577 |
| Others | 4,096,637 | 614,496 | 7,545,424 | 1,131,814 |
| | 1,661,197,710 | 249,179,656 | 1,483,914,753 | 222,587,213 |

15. Bills payable

| | 31 December 2015 | 31 December 2014 |
|-----------------------------|----------------------|----------------------|
| Commercial acceptance bills | 311,859,145 | 136,450,000 |
| Bank acceptance bills | 1,094,352,237 | 1,249,486,394 |
| | 1,406,211,382 | 1,385,936,394 |

XIV. Notes to Key Items of the Company's Financial Statements (continued)**16. Trade payables**

The trade payables are non-interest-bearing and generally have an average payment term of 3 months.

| | 31 December 2015 | 31 December 2014 |
|--|-----------------------------|---------------------|
| Within 3 months | 1,981,014,774 | 1,248,954,897 |
| 3 months to 1 year | 188,489,547 | 346,610,198 |
| 1 to 2 years | 79,965,499 | 67,977,419 |
| 2 to 3 years | 21,047,485 | 24,078,129 |
| Over 3 years | 100,385,338 | 81,428,308 |
| | 2,370,902,643 | 1,769,048,951 |
| Less: Classified as long-term payables | 116,298,371 | 66,444,529 |
| | 2,254,604,272 | 1,702,604,422 |

17. Advances from customers

| | 31 December 2015 | 31 December 2014 |
|---------------|-----------------------------|---------------------|
| Within 1 year | 680,580,384 | 481,473,274 |
| 1 to 2 years | 89,610,239 | 28,107,544 |
| 2 to 3 years | 4,280,795 | 985,748 |
| Over 3 years | 1,409,557 | 1,848,603 |
| | 775,880,975 | 512,415,169 |

18. Taxes payable

| | 31 December 2015 | 31 December 2014 |
|---|-----------------------------|---------------------|
| Corporate income tax | 150,829,766 | 81,474,216 |
| Value-added tax | 10,545,664 | 13,770,050 |
| City maintenance and construction and education surcharge | 6,747,064 | 9,518,012 |
| Individual income tax | 23,582,803 | 7,804,851 |
| Others | 37,075 | 554,582 |
| | 191,742,372 | 113,121,711 |

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

19. Other payables

| | 31 December 2015 | 31 December 2014 |
|---------------|-----------------------------|---------------------|
| Within 1 year | 120,774,150 | 365,533,991 |
| 1 to 2 years | 149,003,645 | 16,620,086 |
| 2 to 3 years | 3,312,456 | 27,833,041 |
| Over 3 years | 27,954,765 | 12,249,650 |
| | 301,045,016 | 422,236,768 |

20. Provisions

2015

| | Opening balance | Increase | Decrease | Closing balance |
|--|--------------------|--------------------|--------------------|--------------------|
| Provision for product quality warranties | <u>797,513,606</u> | <u>306,173,933</u> | <u>261,021,244</u> | 842,666,295 |
| Less: Provisions due within one year | | | | <u>334,500,647</u> |
| | | | | <u>508,165,648</u> |

2014

| | Opening balance | Increase | Decrease | Closing balance |
|--|--------------------|--------------------|--------------------|--------------------|
| Provision for product quality warranties | <u>325,500,943</u> | <u>655,500,427</u> | <u>183,487,764</u> | 797,513,606 |
| Less: Provisions due within one year | | | | <u>323,041,323</u> |
| | | | | <u>474,472,283</u> |

21. Deferred income

| | 31 December 2015 | 31 December 2014 |
|---|-----------------------------|---------------------|
| Government grants related to assets | 233,577,640 | 155,780,057 |
| Government grants related to income | 33,781,000 | 41,364,000 |
| | 267,358,640 | 197,144,057 |
| Less: Classified as current liabilities | 58,097,585 | 47,471,918 |
| Government grants recognised as non-current liabilities | 209,261,055 | 149,672,139 |

XIV. Notes to Key Items of the Company's Financial Statements (continued)

21. Deferred income (continued)

Liabilities relevant to government grants at 31 December 2015 are listed as follows:

| | Opening balance | Increase | Recognised as non-operating income | Other movements | Closing balance | Relevant to asset/income |
|---|--------------------|--------------------|--|--------------------|--------------------|-----------------------------|
| 8 MW golden sun demonstration project | 51,430,000 | 13,920,000 | (10,891,666) | — | 54,458,334 | Asset |
| Maotangao staff dorm building construction project | 20,433,390 | — | (454,918) | — | 19,978,472 | Asset |
| Photovoltaic power generation comprehensive test system construction project | 10,735,000 | — | (2,343,333) | — | 8,391,667 | Asset |
| Industrialization of 200KM EMU AC drive & network control system and ATP control device | 10,291,667 | — | (1,900,000) | — | 8,391,667 | Asset |
| (Power electronics) research for power electronic devices & built for production Line | 6,000,000 | — | (400,000) | — | 5,600,000 | Asset |
| High voltage chip packaging and module technology development and industrialization for high speed train application | 14,224,000 | 316,000 | — | — | 14,540,000 | Income |
| (Power electronics) integrated manufacturing technology R&D and industrialization of SIC based power electronic devices | 53,170,000 | — | — | — | 53,170,000 | Asset |
| 3.3KV high voltage IGBT for rail transit application project | 3,200,000 | — | — | — | 3,200,000 | Income |
| SIC-based power electronic devices lab & fab construction project | — | 17,000,000 | — | — | 17,000,000 | Asset |
| The revamping of high voltage and low voltage IGBT chip module production line | — | 50,000,000 | — | — | 50,000,000 | Asset |
| Research on key technology of super large power electronic devices and systems | 2,530,000 | 530,000 | — | — | 3,060,000 | Income |
| R&D, Industrialization of 6-inch SIC Wafer and Application in High Power IGBT | — | 10,000,000 | — | — | 10,000,000 | Asset |
| Others | 25,130,000 | 16,781,000 | (20,392,500) | (1,950,000) | 19,568,500 | Asset/income |
| | <u>197,144,057</u> | <u>108,547,000</u> | <u>(36,382,417)</u> | <u>(1,950,000)</u> | <u>267,358,640</u> | |

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

21. Deferred income (continued)

Liabilities relevant to government grants as at 31 December 2014 are listed as follows:

| | Opening balance | Increase | Recognised as non-operating income | Other movements | Closing balance | Relevant to asset/income |
|---|--------------------|-------------------|--|--------------------|--------------------|-----------------------------|
| 8 MW golden sun demonstration project | 51,430,000 | — | — | — | 51,430,000 | Asset |
| Maotangao staff dorm building construction project | 20,471,300 | — | (37,910) | — | 20,433,390 | Asset |
| Photovoltaic power generation comprehensive test system construction project | 7,980,000 | 3,420,000 | (665,000) | — | 10,735,000 | Asset |
| Industrialization of 200KM EMU AC drive & network control system and ATP control device | 12,191,667 | — | (1,900,000) | — | 10,291,667 | Asset |
| High speed train traction drive and brake system project | 11,067,000 | — | (11,067,000) | — | — | Income |
| High speed train network control project | 37,631,700 | — | (37,631,700) | — | — | Income |
| (Power electronics) research for power electronic devices & built for production Line | 6,400,000 | — | (400,000) | — | 6,000,000 | Asset |
| High voltage chip packaging and module technology development and industrialization for high speed train application | 14,224,000 | — | — | — | 14,224,000 | Income |
| (Power electronics) integrated manufacturing technology R&D and industrialization of SIC based power electronic devices | 30,290,000 | 22,880,000 | — | — | 53,170,000 | Asset |
| Others | 31,550,000 | 9,940,000 | (8,800,000) | (1,830,000) | 30,860,000 | Asset/income |
| | <u>223,235,667</u> | <u>36,240,000</u> | <u>(60,501,610)</u> | <u>(1,830,000)</u> | <u>197,144,057</u> | |

22. Long-term borrowings

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Trusted loans | 100,188,000 | — |
| Less: long-term borrowings due within one year | — | — |
| | <u>100,188,000</u> | <u>—</u> |

Maturity analysis:

| | 31 December 2015 | 31 December 2014 |
|-------------------------|---------------------|---------------------|
| Due within 1 year | — | — |
| Due within 1 to 2 years | — | — |
| Due within 2 to 5 years | 12,500,000 | — |
| Due more than 5 years | 87,688,000 | — |
| | <u>100,188,000</u> | <u>—</u> |

XIV. Notes to Key Items of the Company's Financial Statements (continued)**23. Revenue and cost of sales**

Revenue is also the turnover of the Company and represents the net invoice value of goods sold after deducting returns and trade discounts, the value of services rendered and the total rental income received.

Revenue is stated as follows:

| | 2015 | 2014 |
|-----------------------------------|-----------------------|-----------------------|
| Revenue from principal operations | 12,053,069,344 | 11,292,147,647 |
| Other operating income | 391,377,171 | 295,868,454 |
| | 12,444,446,515 | 11,588,016,101 |

Cost of sales is stated as follows:

| | 2015 | 2014 |
|---|----------------------|----------------------|
| Cost of sales from principal operations | 7,371,135,613 | 7,117,224,366 |
| Other operating costs | 295,726,525 | 249,068,057 |
| | 7,666,862,138 | 7,366,292,423 |

Details of revenue are listed as follows:

| | 2015 | 2014 |
|----------------------------|-----------------------|-----------------------|
| Sale of goods and material | 12,291,326,533 | 11,306,726,479 |
| Maintenance income | 64,264,458 | 224,410,749 |
| Technical service income | 61,562,221 | 42,626,123 |
| Rental income | 12,744,276 | 7,752,645 |
| Others | 14,549,027 | 6,500,105 |
| | 12,444,446,515 | 11,588,016,101 |

24. Business taxes and surcharges

| | 2015 | 2014 |
|--|-------------------|-------------------|
| City maintenance and construction surtax | 47,512,336 | 50,720,607 |
| Education surcharge | 33,937,383 | 35,912,007 |
| Others | 75 | 316,998 |
| | 81,449,794 | 86,949,612 |

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

25. Finance costs

| | | 2015 | 2014 |
|----------------------------|--------------|---------------------|---------------------|
| Interest expenses | | 139,972 | — |
| Less: Interest capitalised | Note XIV. 12 | (139,972) | — |
| Interest income | | (48,124,002) | (44,957,102) |
| Exchange losses | | 11,367,414 | 1,261,576 |
| Others | | 5,607,499 | 4,296,776 |
| | | <u>(31,149,089)</u> | <u>(39,398,750)</u> |

26. Asset impairment losses

| | | 2015 | 2014 |
|----------------------------------|--|-------------------|--------------------|
| Bad debt (reversal of loss)/loss | | (363,478) | 65,517,286 |
| Impairment loss of inventories | | 62,869,973 | 27,053,334 |
| Impairment loss of fixed assets | | 5,113,873 | 22,630,475 |
| | | <u>67,620,368</u> | <u>115,201,095</u> |

27. Investment income

| | | 2015 | 2014 |
|--|--|--------------------|--------------------|
| Income from non-listed investments: | | | |
| Long-term equity investment income under the equity method | | 32,952,712 | 15,057,057 |
| Long-term equity investment income under the cost method | | 137,094,738 | 154,792,313 |
| Income from entrusted loans | | — | 24,854,795 |
| Bank financial product income | | 62,558,630 | 44,713,424 |
| | | <u>232,606,080</u> | <u>239,417,589</u> |

XIV. Notes to Key Items of the Company's Financial Statements (continued)

28. Non-operating income

| | 2015 | 2014 |
|--|--------------------|--------------------|
| Gain on disposal of non-current assets | 299,429 | 501,510 |
| Refunds of value-added tax | 75,474,995 | 168,516,350 |
| Government grants | 49,000,931 | 74,111,944 |
| Penalty income and default compensation income | 431,222 | 3,011,414 |
| Others | 5,389,004 | 9,034,949 |
| | 130,595,581 | 255,176,167 |

29. Non-operating expenses

| | 2015 | 2014 |
|--|------------------|------------------|
| Loss on disposal of non-current assets | 1,302,682 | 1,236,870 |
| Loss on penalties and compensations | 1,603,679 | 261,378 |
| Others | 162,517 | 305,046 |
| | 3,068,878 | 1,803,294 |

30. Income tax expense

| | 2015 | 2014 |
|-----------------------------|--------------------|--------------------|
| Current income tax expense | | |
| —Mainland China | 468,962,449 | 443,974,143 |
| Deferred income tax expense | (26,592,443) | (111,318,734) |
| | 442,370,006 | 332,655,409 |

The reconciliation from total profit to income tax expense is as follows:

| | 2015 | 2014 |
|--|----------------------|----------------------|
| Total profit | 3,346,506,375 | 2,677,320,423 |
| Income tax expense at statutory tax rate of 25% | 836,626,594 | 669,330,106 |
| Effect of preferential tax rate applicable to the Company | (334,650,637) | (267,732,042) |
| Profits and losses attributable to associates and a joint venture | (4,942,906) | (7,749,276) |
| Income not subject to tax | (20,564,211) | (23,218,847) |
| Income tax benefits on research and development expenditure | (33,404,500) | (34,405,499) |
| Expenses not deductible for tax | 3,528,399 | 2,345,100 |
| Deductible temporary differences not recognised | — | 6,874,317 |
| Recognise the un-recognised deductible temporary differences of previous years | — | (14,689,995) |
| Others | (4,222,733) | 1,901,545 |
| Tax expense at the Group's effective tax rate | 442,370,006 | 332,655,409 |

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

31. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

| | 2015 | 2014 |
|---|----------------------|----------------------|
| Adjustment of net profit to cash flows from operating activities: | | |
| Net profit | 2,904,136,369 | 2,344,665,014 |
| Add: Provision for impairment of assets | 67,620,368 | 115,201,095 |
| Depreciation | 156,778,122 | 179,768,732 |
| Amortisation of intangible assets | 16,228,188 | 13,134,551 |
| Losses from disposal of fixed assets, intangible assets and other long-term assets | 1,003,253 | 735,360 |
| Accrued special reserve | 4,096,637 | — |
| Investment income | (182,606,080) | (239,417,589) |
| Increase in deferred tax assets | (26,592,443) | (111,318,734) |
| Increase in inventories | (620,635,418) | (662,069,183) |
| Increase in operating receivables | (1,752,740,819) | (1,438,896,453) |
| Increase in operating payables | 930,078,290 | 1,483,209,213 |
| Net cash flows from operating activities | <u>1,497,366,467</u> | <u>1,685,012,006</u> |

Significant investing and financing activities which do not involve cash:

| | 2015 | 2014 |
|--|------------|------------|
| Dividends payable compensated from trade receivables | 4,000,000 | 5,028,224 |
| Dividends receivable compensated from trade payables | 50,000,000 | — |
| Equipment procurement paid from operating current account | 15,191,624 | — |
| Equipment procurement compensated from operating current account | — | 32,683,009 |

Movement in cash and cash equivalents:

| | 2015 | 2014 |
|---|--------------------|----------------------|
| Closing balance of cash | 2,754,350,998 | 2,214,865,319 |
| Less: Opening balance of cash | 2,214,865,319 | 2,763,730,041 |
| Net change of cash and cash equivalents | <u>539,485,679</u> | <u>(548,864,722)</u> |

(2) Cash and cash equivalents

| | 31 December 2015 | 31 December 2014 |
|--|----------------------|----------------------|
| Cash | | |
| Including: Cash on hand | — | — |
| Bank deposits on demand | 1,972,194,701 | 1,624,917,803 |
| Deposits due within 3 months | 782,156,297 | 589,947,516 |
| Closing balance of cash and cash equivalents | <u>2,754,350,998</u> | <u>2,214,865,319</u> |

XIV. Notes to Key Items of the Company's Financial Statements (continued)

32. Major transactions between the Company and its related parties

(1) Sales of goods to related parties

| | 2015 | 2014 |
|---|----------------------|----------------------|
| Subsidiaries | 577,689,430 | 374,452,687 |
| Corporations controlled by the ultimate holding party | 7,125,123,440 | 7,257,949,719 |
| Joint ventures of the Company | 1,062,589,848 | 969,465,503 |
| Corporations controlled by the parent company | 186,416,673 | 209,501,514 |
| Parent company | 29,622,185 | 69,261,338 |
| Associates of the Company | 7,365,416 | — |
| | <u>8,988,806,992</u> | <u>8,880,630,761</u> |

(2) Purchases of goods from related parties

| | 2015 | 2014 |
|---|----------------------|----------------------|
| Subsidiaries | 908,230,056 | 411,033,546 |
| Joint ventures of the Company | 1,534,761,292 | 1,327,413,890 |
| Corporations controlled by the ultimate holding party | 884,104,632 | 925,529,581 |
| Corporations controlled by the parent company | 369,783,827 | 275,696,148 |
| Associates of the Company | 57,374,126 | — |
| Joint ventures of the ultimate holding group | 2,718,401 | 4,768,376 |
| Parent company | 127,682 | — |
| | <u>3,757,100,016</u> | <u>2,944,441,541</u> |

(3) Sales of electricity to related parties

| | 2015 | 2014 |
|---|------------------|------------------|
| Subsidiaries | 447,381 | 362,764 |
| Corporations controlled by the parent company | 1,018,767 | 391,221 |
| Parent company | 398,047 | 424,130 |
| Associates of the Company | 44,669 | 195,474 |
| Corporations controlled by the ultimate holding party | 16,136 | — |
| | <u>1,925,000</u> | <u>1,373,589</u> |

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

32. Major transactions between the Company and its related parties (continued)

(4) Purchases of electricity from related parties

| | 2015 | 2014 |
|---|----------------|----------------|
| Corporations controlled by the ultimate holding party | 679,827 | 320,118 |
| Corporations controlled by the parent company | 51,157 | — |
| | <u>730,984</u> | <u>320,118</u> |

(5) Sales of fixed assets to related parties

| | 2015 | 2014 |
|---|------------------|----------|
| Subsidiaries | 4,794,872 | — |
| Corporations controlled by the parent company | 540,789 | — |
| | <u>5,335,661</u> | <u>—</u> |

(6) Purchases of fixed assets from related parties

| | 2015 | 2014 |
|---|------------------|--------------------|
| Subsidiaries | 2,608,922 | 93,800,362 |
| Parent company | 6,890 | 9,937 |
| Corporations controlled by the parent company | — | 20,629,269 |
| | <u>2,615,812</u> | <u>114,439,568</u> |

(7) Purchases of intangible assets from related parties

| | 2015 | 2014 |
|--------------|------------|------|
| Subsidiaries | 75,705,774 | — |

XIV. Notes to Key Items of the Company's Financial Statements (continued)**32. Major transactions between the Company and its related parties** (continued)**(8) Related party leases**

As lessor

| | 2015 | 2014 |
|---|-------------------|------------------|
| Subsidiaries | 2,763,604 | — |
| Corporations controlled by the parent company | 6,451,042 | — |
| Parent company | 3,621,335 | 3,253,943 |
| Associates of the Company | 477,597 | 3,710,426 |
| | 13,313,578 | 6,964,369 |

As lessee

| | 2015 | 2014 |
|---|--------------------|-------------------|
| Parent company (Note) | 185,387,169 | 63,291,698 |
| Corporations controlled by the ultimate holding party | 2,142,379 | 8,900 |
| Associates of the group of parent company | 1,873,623 | 1,817,580 |
| Corporations controlled by the parent company | 59,874 | — |
| | 189,463,045 | 65,118,178 |

Note: As at 25 September 2014, the Company entered into an agreement with CRRC Zhuzhou Institute Co., Ltd. to lease all the real estate, property and related facilities and equipments related to the production of high-power IGBT line. According to the lease agreement, the rent was RMB15,400,722 per month. Lease term starts from 1 September 2014 and lasts for 3 years.

(9) Technical service income from related parties

| | 2015 | 2014 |
|---|-------------------|------------------|
| Corporations controlled by the ultimate holding party | 6,426,578 | 5,633,209 |
| Corporations controlled by the parent company | 3,806,792 | 2,936,158 |
| Parent company | 585,496 | 596,387 |
| Joint ventures of the group of parent company | 3,827 | — |
| | 10,822,693 | 9,165,754 |

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

32. Major transactions between the Company and its related parties (continued)

(10) Maintenance service provided to related parties

| | 2015 | 2014 |
|---|-------------------|--------------------|
| Corporations controlled by the ultimate holding party | 39,918,356 | 150,547,542 |
| Corporations controlled by the parent company | 319,119 | 19,235,295 |
| Parent company | — | 4,567,094 |
| | <u>40,237,475</u> | <u>174,349,931</u> |

(11) Technical service fees paid to related parties

| | 2015 | 2014 |
|---|--------------------|--------------------|
| Subsidiaries | 92,456,085 | 64,505,976 |
| Parent company | 185,746,000 | 116,195,502 |
| Corporations controlled by the parent company | 15,137,509 | 16,086,858 |
| Corporations controlled by the ultimate holding party | 66,038 | 1,415,094 |
| | <u>293,405,632</u> | <u>198,203,430</u> |

(12) Project management fees paid to related parties

| | 2015 | 2014 |
|----------------|------------------|----------|
| Parent company | <u>1,380,000</u> | <u>—</u> |

XIV. Notes to Key Items of the Company's Financial Statements (continued)**32. Major transactions between the Company and its related parties** (continued)**(13) Fund lending between related parties**

Fund borrowed in

2015

| | Borrowed amount | Interest rate | Start date | Expiry date |
|-----------------------------------|--------------------|---------------|-------------------|-------------------|
| Shareholder of the parent company | 50,000,000 | 1.08% | 29 September 2015 | 28 September 2030 |
| Shareholder of the parent company | 34,188,000 | 1.08% | 29 September 2015 | 28 September 2030 |
| Shareholder of the parent company | 16,000,000 | 1.08% | 25 December 2015 | 24 December 2030 |
| | 100,188,000 | | | |

Note: In 2015, the Group applied for specific loans for the revamping of high voltage and low voltage IGBT chip module production line amounting to RMB100,188,000 from China Development Fund Corporation Limited through CRRC Corporation Limited.

2014

| | Borrowed amount | Interest rate | Start date | Expiry date |
|--------------|-----------------|---------------|---------------|------------------|
| Subsidiaries | 31,000,000 | 5.00% | 10 March 2014 | 31 December 2018 |

(14) Interest income from entrusted loan

| | 2015 | 2014 |
|----------------|------|------------|
| Parent company | — | 24,854,795 |

(15) Interest income from cash and bank balances

| | 2015 | 2014 |
|---|-----------|-----------|
| Corporations controlled by the ultimate holding party | 6,937,781 | 1,248,959 |

(16) Interest expense to borrowings

| | 2015 | 2014 |
|-----------------------------------|---------|------|
| Shareholder of the parent company | 139,972 | — |

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

32. Major transactions between the Company and its related parties (continued)

(17) Guarantee provided to related parties

2015

| | Guaranteed amount | Start date | Expiry date | Completed or not |
|--------------|--------------------|------------|-------------|------------------|
| Subsidiaries | 390,236,000 | 2015/4/1 | 2018/4/1 | No |
| Subsidiaries | 297,998,400 | 2015/4/2 | 2018/4/2 | No |
| Subsidiaries | 241,236,800 | 2015/3/31 | 2018/3/31 | No |
| | <u>929,471,200</u> | | | |

The terms of the above sales and purchase transactions, sales and purchases of fixed assets and intangible assets, service transactions, guarantee provided to related parties, fund lending between related parties and lease transactions with related parties were agreed by both parties.

33. Amounts due from and due to related parties

| | 31 December 2015 | 31 December 2014 |
|--|----------------------|----------------------|
| Trade receivables(including long-term trade receivables): | | |
| Subsidiaries | 798,952,943 | 610,578,843 |
| Corporations controlled by the ultimate holding party | 1,311,502,803 | 932,952,242 |
| Joint ventures of the Company | 125,729,218 | 61,716,239 |
| Corporations controlled by the parent company | 86,879,187 | 157,472,750 |
| Parent company | 12,217,952 | 27,824,865 |
| Associates of the Company | 8,617,537 | — |
| Associates of the ultimate holding group | 186,800 | — |
| | <u>2,344,086,440</u> | <u>1,790,544,939</u> |

XIV. Notes to Key Items of the Company's Financial Statements (continued)

33. Amounts due from and due to related parties (continued)

| | 31 December 2015 | 31 December 2014 |
|---|----------------------|----------------------|
| Bills receivable: | | |
| Subsidiaries | 11,470,206 | 181,570 |
| Corporations controlled by the ultimate holding party | 1,441,269,580 | 2,107,550,000 |
| Corporations controlled by the parent company | 92,775,969 | 79,282,848 |
| Parent company | 61,630,430 | 62,671,768 |
| | <u>1,607,146,185</u> | <u>2,249,686,186</u> |
| Prepayments: | | |
| Subsidiaries | 29,852,013 | 58,780,996 |
| Associates of the Company | 17,599,826 | 20,000,000 |
| Corporations controlled by the ultimate holding party | 740,285 | 71,439 |
| Corporations controlled by the parent company | — | 892,070 |
| Shareholder of the parent company | — | 40,000 |
| | <u>48,192,124</u> | <u>79,784,505</u> |
| Other receivables: | | |
| Subsidiaries | 235,492,314 | 133,573,212 |
| Parent company | — | 4,840 |
| Corporations controlled by the parent company | — | 50,000 |
| | <u>235,492,314</u> | <u>133,628,052</u> |
| Dividends receivable: | | |
| Subsidiaries | — | 30,000,000 |

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

33. Amounts due from and due to related parties (continued)

| | 31 December 2015 | 31 December 2014 |
|----------------------------------|---------------------|---------------------|
| Other non-current assets: | | |
| Subsidiaries | — | 31,000,000 |

| | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Cash and bank deposits: | | |
| Corporations controlled by the ultimate holding party (Note) | 337,923,846 | 144,985,190 |

Note: As at 31 December 2015, the Company's current deposit with CSR Finance Co., Ltd. is amounted to RMB337,923,846 (31 December 2014: RMB144,985,190). Pursuant to Financial Services Framework Agreement, the maximum daily deposit balance with CSR Finance Co., Ltd. is no more than RMB350,000,000. The interest rate is no less than the interest rate payable by the principal commercial banks in the PRC for comparable deposits and by CSR Finance Co., Ltd. to other members of the CRRC Group for comparable deposits.

| | 31 December 2015 | 31 December 2014 |
|---|----------------------|---------------------|
| Trade payables: | | |
| Subsidiaries | 560,003,598 | 280,081,871 |
| Joint ventures of the Company | 401,970,347 | 139,594,684 |
| Corporations controlled by the ultimate holding party | 94,654,154 | 132,553,724 |
| Corporations controlled by the parent company | 58,732,193 | 32,071,157 |
| Joint ventures of the ultimate holding group | 7,864,406 | 8,077,503 |
| Associates of the Company | 7,459,447 | — |
| Parent company | — | 2,232 |
| | 1,130,684,145 | 592,381,171 |

| | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Bills payable: | | |
| Subsidiaries | — | 31,330,000 |
| Corporations controlled by the ultimate holding party | 327,110,457 | 93,170,000 |
| Joint ventures of the Company | 156,240,997 | 150,000,000 |
| Corporations controlled by the parent company | 59,000,000 | 48,802,220 |
| | 542,351,454 | 323,302,220 |

XIV. Notes to Key Items of the Company's Financial Statements (continued)

33. Amounts due from and due to related parties (continued)

| | 31 December 2015 | 31 December 2014 |
|---|--------------------------|-------------------------|
| Advances from customers: | | |
| Subsidiaries | 9,296,944 | 206,892 |
| Corporations controlled by the ultimate holding party | <u>47,036,398</u> | <u>6,833,747</u> |
| | <u><u>56,333,342</u></u> | <u><u>7,040,639</u></u> |
| Interests payable: | | |
| Shareholder of the parent company | <u>139,972</u> | <u>—</u> |
| Other payables: | | |
| Subsidiaries | 55,513,324 | 99,923,607 |
| Parent company | 153,491,610 | 154,992,700 |
| Corporations controlled by the parent company | 1,869,355 | 2,253,103 |
| Corporations controlled by the ultimate holding party | 850,000 | 1,000,000 |
| Joint ventures of the ultimate holding group | — | 500,000 |
| | <u>211,724,289</u> | <u>258,669,410</u> |
| Long-term borrowings: | | |
| Shareholder of the parent company | <u>100,188,000</u> | <u>—</u> |

The Company's bills receivable from and bills payable to related parties are non-interest-bearing, unsecured and have fixed terms of repayment, cash and bank deposits are interest-bearing, unsecured and have no fixed terms of repayment; and long-term borrowings are interest-bearing, unsecured and have fixed terms of repayment. Other amounts due from and due to related parties are non-interest-bearing and unsecured. The repayment period of the trading amounts is determined by the provisions of the trading terms, whereas non-trading amounts are not subject to any fixed repayment period.

Glossary

| | |
|---------------------------------|---|
| “Articles” | the Articles of Association of the Company |
| “Baoji Times” | 寶雞南車時代工程機械有限公司 (Baoji CSR Times Engineering Machinery Co. Ltd.), a subsidiary of the Company in which the Company holds 85.8% of its equity interest |
| “Board” or “Board of Directors” | the board of Directors of the Company |
| “CG Code” | the Code on Corporate Governance and Corporate Governance Report set out in Appendix 14 of the Listing Rules |
| “CNR” | formerly known as 中國北車股份有限公司(China CNR Corporation Limited) |
| “Company” | 株洲中車時代電氣股份有限公司(Zhuzhou CRRC Times Electric Co., Ltd.), formerly known as 株洲南車時代電氣股份有限公司(Zhuzhou CSR Times Electric Co., Ltd.), a joint stock company established in the PRC with limited liability whose H shares are listed on the Main Board of the Hong Kong Stock Exchange |
| “CRCCCE” | 中國鐵建高新裝備股份有限公司(CRCC High-Tech Equipment Corporation Limited), formerly known as 昆明中鐵大型養路機械集團有限公司(China Railway Large Maintenance Machinery Co., Ltd. Kunming), one of the Promoters of the Company, whose H shares are listed on the Main Board of the Hong Kong Stock Exchange |
| “CRRC” | 中國中車股份有限公司(CRRC Corporation Limited), a joint stock limited liability company incorporated in the PRC by merger of CSR and CNR, whose A shares and H shares are listed on the Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange, respectively. CRRC holds the entire equity interest in the Parent Company |
| “CRRCG” | 中國中車集團公司(CRRC Group) and its subsidiaries |
| “CRRC Group” | 中國中車集團公司, a Chinese state-owned Company, which was established by the merger of 中國北方機車車輛工業集團公司(China Northern Locomotive & Rolling Stock Industry (Group) Corporation) and 中國南車集團公司(CSR Group), CRRC Group is the ultimate controlling shareholder of the Company |
| “CRRC Investment & Leasing” | 中車投資租賃有限公司(CRRC Investment & Leasing Co., Ltd), formerly known as 南車投資租賃有限公司(CSR Investment & Leasing Co., Ltd.), a wholly-owned subsidiary of CRRC, and one of the Promoters |
| “CRRC Sifang” | 中車青島四方機車車輛股份有限公司(CRRC Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.), formerly known as 南車青島四方機車車輛股份有限公司(CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.), which is held as to 97.81% by CRRC |

| | |
|---------------------------|---|
| “CRRC Zhuzhou” | 中車株洲電力機車有限公司(CRRC Zhuzhou Locomotive Co., Ltd.), formerly known as 南車株洲電力機車有限公司(CSR Zhuzhou Electric Locomotive Co., Ltd.), which is held as to 100% by CRRC, and one of the Promoters |
| “CSR” | formerly known as 中國南車股份有限公司(CSR Corporation Limited) |
| “CSR Finance” | 南車財務有限公司(CSR Finance Co., Ltd.), a company incorporated under the laws of the PRC with limited liability, CSR Finance is held as to 91% by CRRC and held as to 9% by CRRC Group |
| “Director(s)” | the director(s) of the Company |
| “Dynex” | Dynex Power Inc., a company established under the law of Canada and listed on the TSX Venture Exchange, Toronto, Canada (stock code: DNX) whose 75% equity interest was acquired by the Company in October 2008 and is a Company’s subsidiary. Dynex Semiconductor Ltd. is its only operating subsidiary and its headquarters are located in Lincoln, England |
| “Electric Multiple Units” | Electric Multiple Units power converters, auxiliary power supply equipment and control systems |
| “Group” | the Company and its subsidiaries |
| “Guangzhou Times” | 廣州南車時代電氣技術有限公司 (Guangzhou CSR Times Electric Technology Co., Ltd.), a subsidiary of the Company in which the Company holds 60% of its equity interest |
| “Hangzhou Electric” | 杭州南車電氣設備有限公司(Hangzhou CSR Electric Equipment Co., Ltd.), a subsidiary of the Company in which the Company holds 60% of its equity interest |
| “HK Electric” | CSR Times Electric (Hong Kong) Co., Limited, a company established under the law of Hong Kong and a wholly-owned subsidiary of the Company |
| “Hunan CSR Wabtec” | 湖南南車西屋軌道交通技術有限公司(Hunan CSR-Wabtec Railway Transportation Technology Co., Ltd.), held as to 50% by the Company and as to 50% by Wabtec China Rail Products & Services Holding Limited |
| “Kunming Electric” | 昆明南車電氣設備有限公司 (Kunming CSR Electric Equipment Co., Ltd.), a wholly-owned subsidiary of the Company |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |

Glossary

| | |
|--|---|
| “Locomotives” | Locomotives power converters, auxiliary power supply equipment and control systems |
| “Metropolitan rail transportation equipment” | Metropolitan rail transportation equipment power converters, auxiliary power supply equipment and control systems |
| “Ningbo Electric” | 寧波南車電氣設備有限公司 (Ningbo CSR Electric Equipment Co., Ltd.), a wholly-owned subsidiary of the Company |
| “Ningbo Times” | 寧波中車時代傳感技術有限公司 (Ningbo CRRC Times Sensor Technology Co., Ltd.) formerly known as 寧波南車時代傳感技術有限公司(Ningbo CSR Times Sensor Technology Co., Ltd.), a wholly-owned subsidiary of the Company |
| “Parent Company” or “CRRC ZELRI” | 中車株洲電力機車研究所有限公司(CRRC Zhuzhou Institute Co., Ltd.), formerly known as 南車株洲電力機車研究所有限公司(CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.), a wholly-owned subsidiary of CRRC, one of the Promoters of the Company and the controlling shareholder of the Company |
| “Parent Group” | the Parent Company and its subsidiaries (excluding the Group) |
| “PRC” | The People’s Republic of China |
| “PRC Accounting Standards” | Accounting Standards for Business Enterprises and relevant regulations issued by the Ministry of Finance of the PRC |
| “Promoters” | the promoters of the Company, being CRRC ZELRI, CRRC Zhuzhou, CRRC Investment & Leasing, Qishuyan Works and CRCCE |
| “Qishuyan Works” | 中車集團常州戚墅堰機車車輛廠(CRRC Changzhou Qishuyan Locomotive & Rolling Stock Works), formerly known as 中國南車集團戚墅堰機車車輛廠(CSRG Qishuyan Locomotive & Rolling Stock Works), a wholly-owned subsidiary of CRRC Group and one of the Promoters |
| “Qingdao Electric” | 青島南車電氣設備有限公司 (Qingdao CSR Electric Equipment Co., Ltd.), held as to 45% by the Company, as to 38% by CRRC Sifang, as to 17% by Qingdao Hongda Schnell Science & Technology Co., Ltd. It is a subsidiary of the Company since the Company has actual control over it |
| “Shanghai CSR Railway” | 上海南車軌道交通科技有限公司 (Shanghai CSR Railway Transportation Technology Co., Ltd.), a subsidiary of the Company in which the Company holds 51% of its equity interest |
| “Shenyang Times” | 瀋陽南車時代交通設備有限公司 (Shenyang CSR Times Transportation Equipment Co., Ltd.), a wholly-owned subsidiary of the Company |
| “Shiling” | 株洲時菱交通設備有限公司 (Zhuzhou Shiling Transportation Equipment Co., Ltd.), held as to 50% by the Company, as to 40% by Mitsubishi Electric Corporation and as to 10% by Mitsubishi Electric (China) Ltd. |
| “SMD” | Specialist Machine Developments (SMD) Limited, a private limited company incorporated in England and Wales |
| “SMD Group” | “SMD” and its subsidiaries |

| | |
|--------------------------------------|--|
| “Software Company” | 株洲南車時代軟件技術有限公司 (Zhuzhou CSR Times Software Technology Co., Ltd.), a wholly-owned subsidiary of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Supervisory Committee” | the supervisory committee of the Company |
| “the year” or “the reporting period” | the financial year ended 31 December 2015 |
| “Times Australia” | CSR Times Electric Australia Pty. Ltd., a company established under the law of Australia and a wholly-owned subsidiary of the Company |
| “Times Brasil” | CSR Times Electric Brasil Ltda., a company established under the law of Brasil and a wholly-owned subsidiary of the Company |
| “Times USA” | CSR Times Electric USA LLC, a company established under the law of America and a wholly-owned subsidiary of the Company |
| “Times Electronics” | 株洲時代電子技術有限公司 (Zhuzhou Times Electronics Technology Co., Ltd.), a wholly-owned subsidiary of the Company |
| “Times Equipment” | 株洲時代裝備技術有限責任公司 (Zhuzhou Times Equipment Technology Co., Ltd.), a wholly-owned subsidiary of the Company |
| “Times Information” | 北京南車時代信息技術有限公司 (Beijing CSR Times Information Technology Co., Ltd.), a wholly-owned subsidiary of the Company |
| “Times New Materials” | 株洲時代新材料科技股份有限公司 (Zhuzhou Times New Materials Technology Co., Ltd.), whose shares are listed on the Shanghai Stock Exchange |
| “Traction Inspection” | 中鐵檢驗認證株洲牽引電氣設備檢驗站有限公司 (China Railway Approved Zhuzhou Traction Electric Equipment Inspection Station Company Limited, a subsidiary of CRRC ZELRI in which CRRC ZELRI holds 55% of its equity interest |
| “Yueqing CSR Railway” | 樂清南車軌道科技有限公司 (Yueqing CSR Railway Technologies Co., Ltd.), a subsidiary of the Company in which the Company holds 51% of its equity interest |
| “ZELRI (Hong Kong)” | CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited, a wholly-owned subsidiary of CRRC ZELRI |
| “Zhuzhou Siemens” | 株洲西門子牽引設備有限公司 (Siemens Traction Equipment Ltd., Zhuzhou), held as to 30% by the Company, as to 20% by CRRC Zhuzhou and as to 50% by Siemens Ltd., China |
| “ZNERCC” | 株洲變流技術國家工程研究中心有限公司 (Zhuzhou National Engineering Research Centre of Converters Co., Ltd.), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Parent Company |

Basic Corporate Information

| | | |
|---|---|---|
| 1 | Name in Chinese Name in English | 株洲中車時代電氣股份有限公司 Zhuzhou CRRC Times Electric Co., Ltd. |
| 2 | Authorised representatives | Ding Rongjun Tang Tuong Hock, Gabriel |
| 3 | Company secretary Registered office Telephone Fax Website Principal place of business in Hong Kong | Tang Tuong Hock, Gabriel Times Road, Shifeng District, Zhuzhou, Hunan Province, PRC, 412001 +86 731 2849 8028 +86 731 2849 3447 http://www.timeselectric.cn Unit 1106, 11th Floor, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong |
| 4 | Listing information | H Share The Stock Exchange of Hong Kong Limited Stock Code : 3898 Stock Short Name: CRRC Times Elec |
| 5 | H share registrar | Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong |
| 6 | Legal advisers | Minter Ellison Grandall Law Firm (Hangzhou) |
| 7 | Auditor | Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower Oriental Plaza, No. 1 East Chang An Avenue Dong Cheng District, Beijing China 100738 |



株洲中车时代电气股份有限公司
ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.