中国南车

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

2014 Annual Report

CONSOLIDATE THE EFFORTS · STRIVE FOR CONSISTENCY

IMPORTANT NOTICE

1. The board of directors (the "Board") and the supervisory committee (the "Supervisory Committee") of the Company and its directors (the "Director(s)"), supervisors (the "Supervisor(s)") and senior management (the "Senior Management") warrant that there are no false representations, misleading statements contained in or material omissions from this annual report and they will assume joint and several legal liabilities for the truthfulness, accuracy and completeness of the contents disclosed herein.
2. This annual report has been considered and approved at the ninth meeting of the third session of the Board of the Company. All Directors of the Company attended the Board meeting.
3. Deloitte Touche Tohmatsu CPA LLP has issued standard unqualified audit report for the Company's financial statements prepared under the PRC GAAP in accordance with PRC Auditing Standards. Deloitte Touche Tohmatsu has issued standard unqualified audit report for the financial statements prepared under the International Financial Reporting Standards ("IFRSs") in accordance with Hong Kong Standards on Auditing.
4. Zheng Changhong, the Chairman of the Company, Zhan Yanjing, the person-in-charge of accounting affairs, and Liu Jiang, the head of the Accounting Department, warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.
5. The forward looking statements set out in this annual report, including future plans and development strategy, will not constitute any part of substantive commitments made by the Company to investors. Investors should exercise caution when dealing in the shares of the Company.





CONTENT

CSR Profile

The newly signed overseas orders amounted to ***"US$3.76 billion"***

CSR Corporation Limited is one of the largest rolling stock suppliers in the world. It has a world-class platform for its mature rolling stock products in series including high speed MUs, high-powered electric locomotives, transit vehicles, heavy haul freight trains and high-end carriages, as well as the ability for the research and development, manufacturing and services for a series of railway transportation equipment, providing green rail transit products and contracting and finance services, and providing outstanding system solutions for the customers. CSR adhered to the principle of "resource extension, high-end positioning, limited multielements", and vigorously expanded its business into extended industries such as new energy equipment, new materials, AC transmission and industrial automation, and engineering machinery, as well as contracting, finance lease, financial service, business and assets investment and management, capital operation and other businesses, which contributed to a steady improvement in its ability in meeting market demands, sustainable development and profitability.

CSR had 22 directly held wholly-owned and non-wholly-owned subsidiaries, located in 10 provinces (including municipalities directly under the central government) in Mainland China and Hong Kong Special Administrative Region, with nearly 90,000 employees and total assets of RMB150.6 billion.

INNOVATION WITH KEEN DETERMINATION

In 2014, CSR has been around forging ahead with innovative ideas and international operations, and gradually promoting the concept of industrial 4.0. The Company actively adapted to changes in the mode of production, accelerated integration of industrialization and information, integration of manufacturing industry and service industry, integration of product management and capital operation. CSR focused on enhancing the added value of the products, and promoting industrial pattern to shift from the core of product manufacturing into equal importance in the products, services, finance and system solutions. CSR continuously strengthened customer-oriented personalized research and design, consulting and planning, financial support, supply chain management, online monitoring and maintenance, technical support and after-sales services and other businesses, and strengthening their competitive advantages.

CSR is committed to achieving technological breakthroughs, strengthening basic research and technology, enhancing the technical capacity to combine with the Internet. The CSR Industrial Research Institute can be a leader to improve top-level design in technological innovations, promote WIFI system of the train mobile communications and other cutting-edge subjects, and gradually promote the establishment of the platform of Research Institute as an important engine for innovation and development of the Company. During the reporting period, the research and development of China standard EMU has entered into a trial stage; alpine EMU and double-flow intercity EMU with the speed of 140 km per hour completed trial manufacture, and EMU product spectrum has been further improved; the world's advanced level and the world's first energy-storage tramcar with 100 % of low floor has been successfully developed, with a broad market prospect.

The Company accelerated new business models of innovation practice, actively developed contracting business, financial leasing, capital operation and other modern manufacturing service industry. The contracting business of Nanjing Hexi tramcar project has been successfully completed and entered the buyback period, and accumulated successful experience; financial leasing business had a rapid development, with Chengdu Metro being the first to create a new model of integration of industry and finance in the industry.

LEAN MANAGEMENT

In 2014, the Company strengthened "6621" platform construction, enhanced the on-site management, and promoted basic management level around the target of "double-effect CSR". CSR optimized operation control, continuously strengthened operation dispatching and rolling budget, established value-oriented philosophy to guide its subsidiaries to establish and improve a good mechanism focusing on efficiency and benefit, the current benefit and long-term development, and considering enterprise development and employees harmony. CSR deepened the comprehensive budget management, strengthened budget enforcement to ensure the continued growth in the group revenue and profit target, and continued optimization of efficiency indicators. CSR increased centralized procurement efforts, accelerated popularization and application of the procurement E-business platform, expanded the scope of on-line goods procurement to ensure that the on-line rate of procurement is more than 60%. CSR strengthened inventory control, and reduced occupation of funds.

The Company accelerated the development of lean, actively promoted railway transportation equipment and standardization and modularity construction of the new product technology platform, developed a promotion plan for product module library, implemented product module library construction in the pilot enterprise, to create rapid design capabilities for the future market. The Company paid attention to the whole industry chain, the value improvement and innovation of the product life cycle, and strengthened the value creation effect in the technological innovation. The Company built a comprehensive information platform, and accelerated digital applications from the management, research and development, design and manufacturing to operation and maintenance of the product life cycle.

INTERNATIONAL EXPANSION

In 2014, the Company continued to strengthen international operations, and gradually shifted from focusing on product sales into expanding the global market, taking into account of the integration of global quality resources, promoting overseas industrial layout, and enhancing the ability of international operation. The international operations of CSR have entered into a new phase, and multinational index has been improved significantly.

The Company optimized the organizational structure, and accelerated the promotion of internationalization strategy. In 2014, CSR has built four regional companies, three regional offices and three manufacturing bases in the overseas. The Company had an initial construction of autonomous, collaborative and global international marketing network system, and continuously improved the synergies in the market. The Company simultaneously developed "deep culture" and "open up" in the overseas market, completed the signing of the complete vehicle project of 35 locomotives and multiple railway accessories and export of new industrial products to achieve a total of US$3.76 billion in the new order signed for export, reaching the best level in history.

CSR Profile

The Company improved the project mechanisms, and continuously increased the efforts on overseas mergers and acquisitions, and investment. In 2014, the subordinates acquired century-old brand BOGE rubber metal and plastics business under ZF Friedrichshafen AG in Germany, accelerated the process of globalized resource allocation in the Company, and deepened understanding of international operations. The Company established part of the core subsidiaries to acquire the initial list and intelligence tracking and research in the target company, tired out quantitative assessment rules for overseas acquisitions of new industry and main business, so as to guarantee scientific decision-making in the project. The Company strongly promoted local investment in Malaysia, Turkey, South Africa and other key markets, and driven further expansion of the market and overseas industrial layout. The Company explored and promoted the management and cultural integration of overseas subsidiaries through conducting the cultural tour of foreign employees in CSR and other activities.

VALUE ENHANCEMENT

In 2014, the Company strengthened its market value management philosophy, strengthened management of the market value. The Company shifted the asset management into the management of market value, established a long-term mechanism of market value management, promoted to maximize the Company's value creation, and optimize the value realization. The Company's market value is increased from RMB69.13 billion yuan at the end of 2013 to RMB92.05 billion yuan at the end of 2014, with a growing rate of 33.2%. The Company made efforts to vitalize inefficient and ineffective assets and transformed into efficient assets, and reduce excess capacity. In accordance with the asset disposal process, the Company regularly dealt with and realize assets that were not valuable. By the use of market rules, the Company obtained maximum value of assets by skillful operation of the capital. In the overseas, the Company adhered to the principle of asset-light operation, combined with high cost effective, short cycle of supply, fast service response and other advantages, to carry out the localization work of manufacturing and services, consider the organic link with domestic productivity and industry chain and localization work, so as to create a comprehensive competitive advantage.

The Company strived to enhance the value of employees, vigorously carried out introduction and training of the high-level personnel and urgent talents, systematically implemented international personnel training "242 climbing plan", strongly promoted implementation of the strategy of "high-end talent to lead an international CSR". The Company organized selection and evaluation work for core personnel, established a "scientist" hiring system, and promoted the dynamic management of core personnel. The Company further strengthened the training curriculum system, teaching system and CSR university construction, made full use of domestic and foreign training resources, and continuously carried out training of core personnel, training of lean management, training of leadership, training of high-skilled talent, and other key projects.

Results Highlights

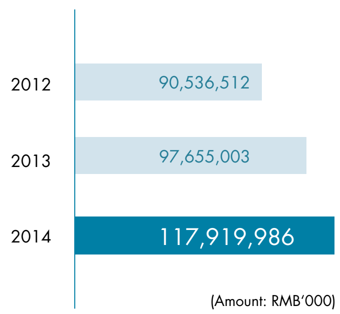
The following table sets out the major financial indicators:

Currency: RMB

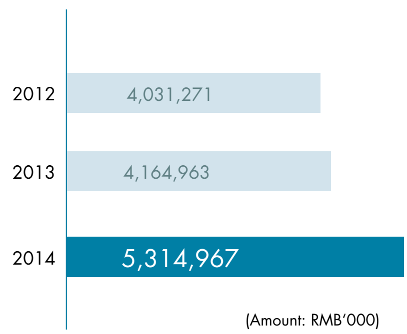
Item	**2014**	2013	Increase/ Decrease %
Revenue *(RMB million)*	**117,920**	97,655	20.75
Profit for the year *(RMB million)*	**6,632**	5,101	30.01
Profit attributable to owners of the parent for the year *(RMB million)*	**5,315**	4,165	27.61
Basic earnings per share *(cent/share)*	**39.0**	30.0	30.00

Item	**2014**	2013	Increase/ Decrease %
Total assets *(RMB million)*	**150,565**	122,416	22.99
Total liabilities *(RMB million)*	**99,043**	75,633	30.95
Total equity *(RMB million)*	**51,522**	46,783	10.13
Including: equity attributable to owners of the parent *(RMB million)*	**40,511**	37,131	9.10
Shareholders' interests per share *(RMB/share)*	**2.93**	2.69	8.92

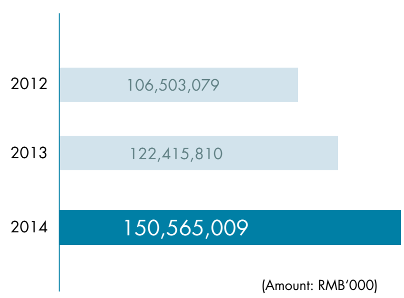
Revenue



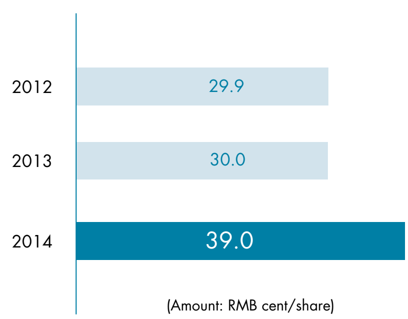
Profit attributable to owners of the parent for the year



Total assets



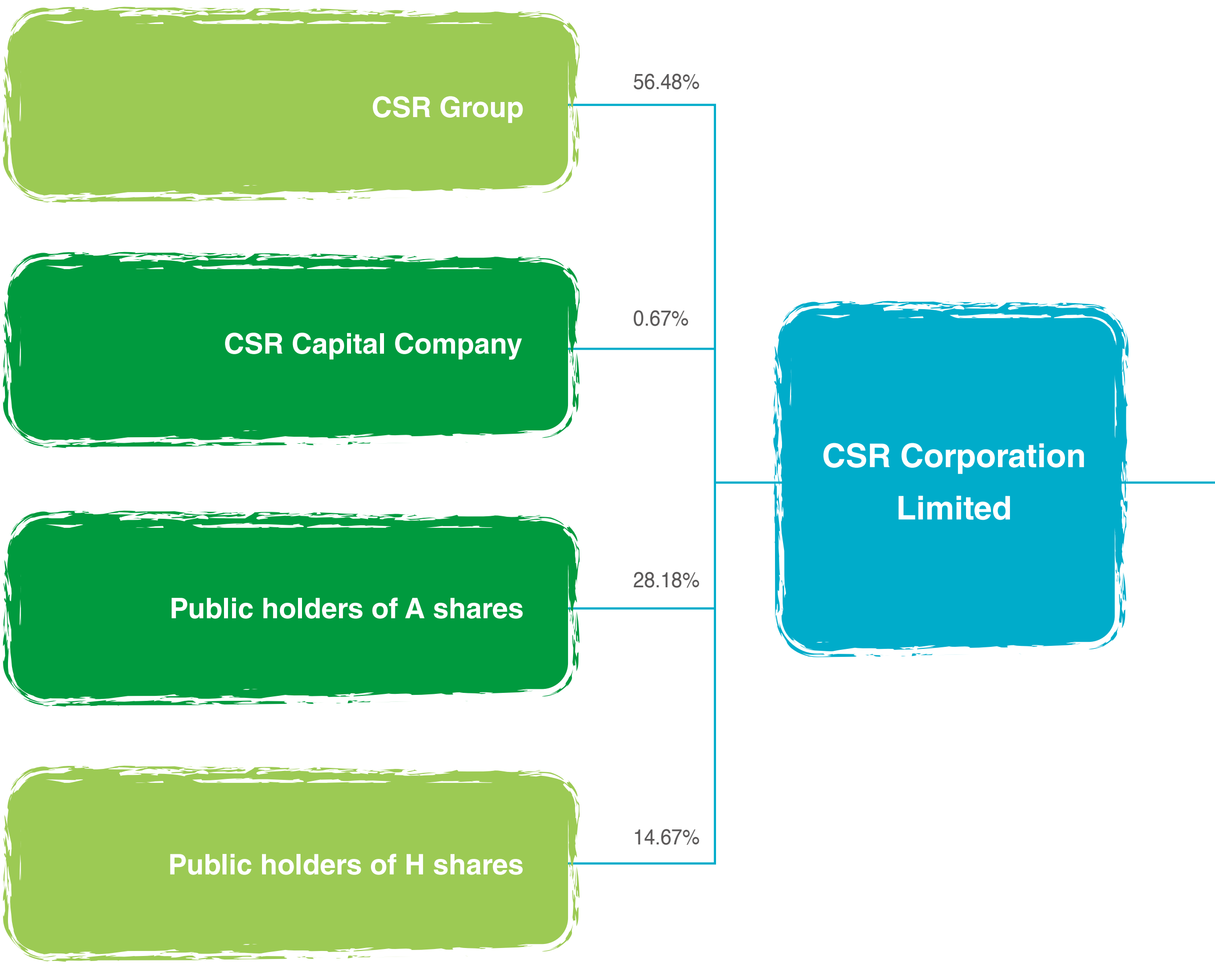
Basic earnings per share



Financial Summary

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Revenue	**117,919,986**	97,655,003	90,536,512	79,516,958	64,132,399
Cost of sales	**93,880,329**	80,846,510	74,552,734	64,646,619	53,145,221
Gross profit	**24,039,657**	16,808,493	15,983,778	14,870,339	10,987,178
Other income and gains	**1,741,423**	1,240,960	1,080,822	818,601	620,536
Distribution and selling expenses	**5,369,221**	3,104,796	3,170,143	2,734,686	1,989,254
Administrative expenses	**11,373,566**	8,702,742	7,852,840	7,017,068	5,799,821
Other expenses, net	**773,836**	90,260	185,073	169,354	452,279
Finance costs	**762,294**	550,207	766,313	993,739	318,368
Share of profits and losses of associates and jointly ventures	**349,299**	363,791	540,954	668,034	611,794
PROFIT BEFORE TAX	**7,851,462**	5,965,239	5,631,185	5,442,127	3,659,786
Income tax expense	**1,219,880**	864,190	744,512	698,887	415,901
PROFIT FOR THE YEAR	**6,631,582**	5,101,049	4,886,673	4,743,240	3,243,885
Attributable to:					
Owners of the Company	**5,314,967**	4,164,963	4,031,271	3,864,153	2,526,302
Non-controlling interests	**1,316,615**	936,086	855,402	879,087	717,583
	6,631,582	5,101,049	4,886,673	4,743,240	3,243,885
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**150,565,009**	122,415,810	106,503,079	92,786,391	73,760,542
TOTAL LIABILITIES	**99,043,280**	75,633,094	66,401,829	64,698,474	49,891,958
TOTAL NON-CONTROLLING INTERESTS	**11,011,198**	9,652,195	6,800,196	5,526,287	4,600,912

Corporate Structure Chart



Corporate Structure Chart

Wholly-owned subsidiaries

- CSR Nanjing Puzhen Rolling Stock Co., Ltd.
- CSR Qishuyan Locomotive Co., Ltd.
- CSR Sifang Rolling Stock Co., Ltd.
- CSR Yangtze Rolling Stock Co., Ltd.
- CSR Meishan Co., Ltd.
- CSR Chengdu Locomotive & Rolling Stock Co., Ltd.
- CSR (Hong Kong) Company Limited
- CSR Erqi Co., Ltd.
- CSR Luoyang Locomotive Co., Ltd.
- CSR Shijiazhuang Rolling Stock Co., Ltd.
- CSR Zhuzhou Electric Locomotive Research Institute Co.,Ltd.
- CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.
- CSR Investment & Leasing Co., Ltd.
- CSR Zhuzhou Electric Locomotive Co., Ltd.
- CSR Zhuzhou Electric Company Limited
- CSR (Australia) Company Limited
- CSR International Equipment Engineering Co., Ltd.
- CSR Industrial Research Institute Co., Ltd.
- CSR Guiyang Rolling Stock Co., Ltd.

Non-wholly-owned subsidiaries

- 99% CSR Ziyang Locomotive Co., Ltd.
- 98% CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd
- 91% CSR Finance Co., Ltd.
- 57% Shijiazhuang King Transportation Equipment Co., Ltd.
- 52% Zhuzhou CSR Times Electric Co., Ltd.
- 27% Zhuzhou Times New Material Technology Co., Ltd.

Jointly-controlled entities

- 50% Qingdao Sifang Kawasaki Rolling Stock Technology Co., Ltd.
- 50% Bombardier Sifang (Qingdao) Transportation Ltd.

Chairman's Statement

Dear shareholders,

In 2014, we have experienced many major events together which drew much attention from the public and ignited some hot discussions, such as high-speed railway diplomacy, acquisition of Boge, permanent magnet high-speed trains, large orders overseas, as well as merge and reorganization of the two companies and so on. There are more and more stories about CSR, illustrating more positive energy for development, which is good for our shareholders. Indeed, CSR has seen a new record high in profits. That is the more practical results, which is our greatest concern and what we are the most happy to see. This is where the vital interests of our shareholders lie after all. Considering the extent of the overall economic downturn, we feel gratified that CSR's revenue and net profit have increased by more than 20%.

Now, more and more people have become optimistic about the future of rail transit, especially for its development prospect in China. Although China's overall economic growth rate has fallen to 7%, the infrastructure construction is still seeing a strong driving force, with medium and long-standing demand for rail transit. If you are optimistic about the rail, you should be bullish on CSR which represents a new image of rail transit equipment. Looking at this industry globally, CSR has ushered in some new changes and new patterns to the industry in a way of new thinking, new manners and new styles. The good momentum of rail transit construction, coupled with the diligent management team of CSR, must finally bring a good return to the shareholders.

Chairman's Statement

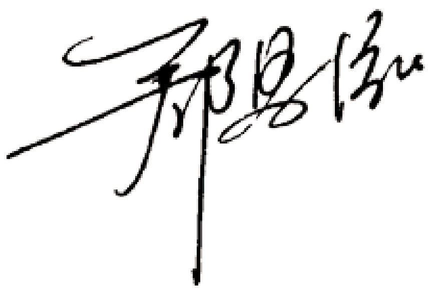
To CSR, whose principal business is product manufacturing, it is very difficult to achieve over RMB100 billion in revenue. For example, Sifang as our subsidiary, has been producing almost one standard EMU (averagely 25 units per month), and many employees need to work hard for almost 365 days in a year. We cannot help but respect them. The situation is also similar with other subsidiaries. Their efforts have consolidated CSR's competitive advantages in terms of cost-effective products, short lead time, and quick response service, etc. However, it also reminds us that in addition to base on product manufacturing, the new growth point for CSR should move to intelligent and digital development as there are huge space and potential in this regard.

The Board of Directors felt increasingly clear that a huge new opportunity has come to us, and that is the Industry 4.0 revolution. Standing on the frontline of Industry 4.0, CSR moves with quickness and lightness, and will surely succeed. Regarding the means that we should take to promote transformation and upgrading of our business efficiently, we are carefully thinking it over and have already been in action on this. The process of tri-integration, namely industrialization and informatization, manufacturing and services, product management and capital operation, will create new development pillar and multi-level growth pole, thereby promoting the realization of 2.0 upgraded development of CSR.

Our management is in progress every day. Growth in profits proves that the company's innovation mechanism, marketing strategies, and cost control are effective. The philosophy of "To Achieve Efficiency and Benefits for CSR", which we have been promoting in these two years, has begun to be reflected in all aspects of management. We improve management with lean management as the main line, and stick to the principle of high efficiency, thus reversing the condition in last year when revenues grew without profit increasing. Now, our sources of profits are diversified, while the scale effect can be manifested. "To Achieve Efficiency and Benefits for CSR" is actually to focus on the main line of "improving quality and speed", and to return to the origin of doing business. We are guided by the concept of "doing solid business", to calmly execute the things that we need to do well by our own. New competitive strengths are accumulated at all basic levels such as strategy, market, costs, benefits and management. In the market, the team of CSR has established a reputation of "obeying rules and being honest", which I feel is a compliment. In a society and market under the rule of law, this is of great benefit to the development of enterprises.

Focusing on business's continuous operation is the responsibility of the Board of Directors and the management. To remain competitive, we must have a keen sense of the market and a highly active and innovative thinking. CSR has always had a high degree of enthusiasm and its own unique understanding of technological innovation. Just as a world-class company, we put system innovation in the first priority. What we are doing now is not only to integrate internal resources in technological innovation, but also to implement the global R&D and technological innovation layout in an effort to deploy the scientific and technological resources globally. Innovation makes our future more powerful.

Dear shareholders, 2014 has passed and become history. Proudly facing the boom of Chinese high-speed rail, we have both harvest and growth. Being a part of CSR is a wonderful experience in our lives. For this common cause, we are full of both confidence and expectations.



Zheng Changhong
March 2015

Report of Directors

Revenue amounted to **RMB117.92** *billion*

Newly signed orders for the year amounted to **RMB159** *billion*

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

In 2014, the Company adhered to the business principles of "continuity, in depth and breakthrough", seized opportunities, overcame difficulties and strived to upgrade and promoted the reform and development, and completed the annual objectives and tasks. Revenue for the year amounted to RMB117.92 billion, representing an increase of 20.75% over last year while net profit attributable to owners of parent company increased by 27.61% to RMB5.315 billion as compared to the last year. In addition, BST, a joint venture of the Company, recorded revenue of RMB2.56 billion and a net profit of RMB560 million.

Great achievements in market expansion. The Company actively adapted to new environment and new changes in the market, strengthened international communication, built competing advantages, and promoted market expansion. Domestic market and alpine EMU realized catching up later, and the low-speed maglev train made breakthrough in the market, filling gaps in the market. Overseas markets focused on three core points, namely, product cost performance, localization and delivery capacity concerned by the overseas customers to flexibly develop coping strategies and implement precisely with remarkable results. The Company newly signed US$3.76 billion of overseas orders, with a year-on-year growth of 68.6%, achieving the leading in industry and creating the record. During the reporting period, the Company obtained over US$2 billion of order of electric locomotives in South Africa, which is the largest order in the whole-vehicle export of China's high-end rail transit equipment. New industrial markets fully used the national industrial policy to develop new industrial markets, and actively promoted mergers and acquisitions, and investment, and continuously develop new energy equipment, new materials, track construction machinery, industrial transmission and automation, high-end power electronic devices and other businesses. In 2014, the Company's newly signed orders amounted to RMB159 billion and outstanding orders in hand amounted to RMB138.50 billion, representing a year-on-year growth of 18% and 25%, providing a strong guarantee for the sustainable development of enterprise.

Significant increase of transnational index. The Company continued to strengthen international operations, promoted the overseas industrial layout, ordinated global market expansion, and enhanced the international operation ability. The international operation has entered into a new phase, and transnational index has a relatively significant increase, increased from 3% to 6% or more. The international company operated independently, strengthened the responsibility and accelerated the promotion of internationalization strategy, initially constructed autonomous, collaborative and global international marketing network system. The Company subdivided 12 global and regional markets, made a clear of division of responsibilities, marketing strategies and phased targets, ordinated and collaborated to expand the international market. The high-end whole-vehicle products are exported in electric locomotive market in South Africa, driverless metro market in Singapore, EMU market in Macedonia of Europe and locomotive market in Argentina, with a major breakthrough. The Company actively implemented the national high-speed rail strategy of "going out", made efforts to promote the transition the technology of China high-speed rail equipment from "bring in" to "going out". The Company continuously increased the efforts on overseas mergers and acquisitions, and investment. The Company spent 290 million in euros acquiring century-old brand BOGE Company under ZF Group, so as to gradually promote CSR as the world's advanced and the national largest supplier of automobile vibration and noise reduction products. The Company established part of the core subsidiaries to acquire the initial list and intelligence tracking and research in the target company, tired out quantitative assessment rules for overseas acquisitions of new industry and main business, so as to guarantee scientific decision-making in the project. The Company strongly promoted local investment in Malaysia, Turkey, South Africa and other key markets, and driven further expansion of the market and overseas industrial layout. The Company explored and promoted the management and cultural integration of overseas subsidiaries through conducting the cultural tour of foreign employees in CSR and other activities.

Report of Directors

Brilliant bright spot in technological innovation. The innovation system was continuously deepened and expanded. The CSR Research Institute operated independently, and the integration of science and technology resources, strategic development and research, technology research and product platform construction had apparent efficacy, and the global allocation of science and technology resources had preliminary results. The office of an associated research center of Zhongtai High Speed Rail prepared for listing in Thailand, and jointly set up an associated research and development center of Sino-German rail transit technology, led the establishment of the International Design Alliance of Rail Transit Vehicle, and China IGBT Technology Innovation and Industry Alliance, as well as a Nondestructive Testing and Training Center, etc. The research and development of products obtained a number of new great achievements. China's first high-speed permanent magnet train came out in market successfully. The research and development of China standard EMU has entered into a trial stage. Alpine EMU and double-flow intercity EMU with the speed of 140 km completed trial manufacture, and EMU product spectrum has been further improved; the world's advanced level and the world's first energy-storage tramcar with 100 % of low floor has been successfully developed, with a broad market prospect; new electric locomotives in South Africa, intercity electric vehicles in Argentina, IC MU in Iraq, meter-gage MU in Malaysia and a number of high-end export products came out in market successfully, supporting the expansion of overseas markets. China's first (the world's second) production line with 8 inches of IGBT chip successfully put into operation, breaking the foreign technology and monopoly of industry. JJC-type catenary maintenance vehicles that fill the gaps in the country, 12 meters of new low-floor passenger carriages with dual power and dual filling, research and development of basic energy storage materials with super capacitor, and electric drive system of the ship have made a major breakthrough. The Company actively participated in the development of domestic and international technical standards, which have mainly developed six items of international standards, drafted 78 items of national and industrial standards, and the industry influence continued to increase. The Company amended an evaluation index system of the patent work, and improved the work mode of integration of research and development of the patent. In 2014, the Company applied for 2,849 items of patents, and obtained 1,769 items of authorized patents.

Opening of the north and south locomotives reorganization. From 29 December2014 to 30 December, the Company held the seventh meeting of the third session of the Board of the Company, and approved Proposal on Mergers of CSR Corporation Limited and CNR Corporation Limited. The merger of CSR Corporation Limited and CNR Corporation Limited was opening. Both parties conducted mergers in accordance with the merger principle of "persisting equal merger, focusing on the future, seeking for common development, adhering to careful planning, steadily pushing forward, and standardizing operation", technically adopting the way of CSR mergers CNR. With the rapid development of domestic and international rail transport market, it was proposed to restructure and integrate through the merger, enhance business scale of the new company after the merger, enhance profitability, and create a large-scale global leading integrated industrial group with rail transit equipment as a core and transnational business, thereby enhancing the interests of all shareholders.

(I) Business overview

In 2014, under the pressure from the slowdown in the growth of national economic development, the domestic rail market benefited from the state increasing investment in rail infrastructure and policy driven, the total amount of equipment needs significantly increased and the market opportunities and challenges coexisted. Faced with unbalance between the passenger and freight structure, CSR actively adapted to new environment and new changes, seized market opportunities, coped with market challenges, accurately implemented market development, international operation, technical innovation, cost decreasing and benefit increasing, synergetic development and other aspects through transformation and upgrading, and reform and development, so that the business income, net profit, a total amount of newly signed order, a total amount of overseas contract, and a number of key business index can create a high record in history and achieve a leading place in industry.

Report of Directors

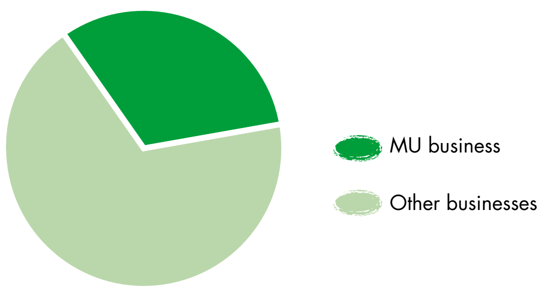
MU business — "wisdom-made" China card

Revenue increased by ***95.52%*** *as compared with last year*

CSR's MU business primarily comprises complete vehicle manufacturers including CSR Sifang, CSR Zhuzhou, CSR Puzhen and BST as well as core component manufacturers, such as CSR ZELRI, CSR Electric and CSR Qishuyan. In 2014, China Railway Corporation greatly improved demand on newly built high-speed EMU. The number of newly built high-speed EMU required to delivering in the whole way is year-on-year growth of 68%, thereby further boosting the release of newly created capacity of CSR's EMU, and reaching the highest level in history. Revenue from MU business increased by 95.52% to RMB37.519 billion as compared with last year.

Representing

31.82% **of revenue in 2014**



Stable and reliable vehicle operation: In 2014, the mileage of EMU operation was increased by 34% as compared with last year, of which the mileage of EMU operation of CSR reached 400 million kilometers. Under a variety of adverse weather conditions, with such onerous operational tasks, the Company's EMU products maintained good quality recording. The failure rate of one million kilometers is far lower than the average level of the whole way, showing that the reliability of the Company products stably remained in the world's advanced level.

Report of Directors

Brilliant bright spot of product research and development: the research and development of China Standard EMU and new cold-resistant and anti-sandstorm EMU was very important for technological innovation of 2014 CSR high-speed EMU. The Company developed and organized to implement promotion program of Chinese standard EMU project, and simultaneously carried out the research and development of internal supporting technology. The technical solutions have passed review by the user. CRH2G-type cold-resistant and anti-sandstorm EMU completed trial manufacture. The train could operate under high cold, sandstorm, high altitude, strong ultraviolet radiation and other harsh environmental conditions, but also could run at high temperatures. The acclimatization temperature is at -40℃ to + 45℃. It can resist 30 m/s of wind. It is worth mentioning that the perspective research and development project of EMU has made significant progress: the first domestic high-speed permanent magnet train came out in market successfully; the first domestic wisdom high-speed train also passed inspection; on-line test of CRH380AM-type comprehensive test train would play a role in boosting the improvement of technology of EMU.

In addition, the technology innovation platform of EMU constructed to support product research and development was also continuously improved. In 2014, the Company and well-known universities in Germany jointly built an associated research and development center of Sino-German rail transit technology, with the starting point of new technology, new structure and new materials of rail transit vehicles, to carry out technical cooperation and research, and establish a "bridgehead" that integrated with new technology in Europe. The Company also led the establishment of the International Design Alliance of Rail Transit Vehicle, and China IGBT Technology Innovation and Industry Alliance. The preparation office of an associated research center of Zhongtai High Speed Rail to be jointly set up by National Science and Technology Development Agency of Thailand and National Institute of Science and Technology of Thailand was established in Bangkok.

Improved platform for inter-city MU trains: Regional economic integration has become an important trend in world economic development. The inter-city rail transit can be called as an accelerator to promote the development. Based on the high-speed train technology, CSR developed a variety of inter-city MU trains with grouping form, speed rating and power supply mode, so as to provide a new solution to solving fast passenger demand in the urban cluster. CRH6A-type inter-city MU train with the speed of 200 kilometers per hour has completed 300,000 kilometers of using assessment; CRH6F-type inter-city MU train with the speed of 160 kilometers per hour has passed passenger review; the first double-flow intercity EMU with the speed of 140 km per hour has completed trial manufacture. Thus, EMU platform composed by three series of products has been formed, so that CSR can continue to remain the advantage of "early mover" in the field of inter-city transport.

Report of Directors

Knowledge Link:

Permanent magnet-driven high-speed rail: High-speed MU which uses a permanent magnet synchronous traction system. The world railway vehicle traction system experienced three major stages, namely DC system, asynchronous system, and permanent magnet system. Compared with traditional asynchronous motor, permanent magnet synchronous traction motor has many outstanding features such as high power density, high power conversion efficiency, and strong overload capacity.

MU with cold and sandstorm-resistance: One of the high-speed MU technology platform products which can operate under harsh environmental conditions, such as cold, wind, high temperature, high altitude, etc.

Trial of MU-type: The trials for verification of the MU products if all the requirements of technical specifications can be satisfied, which is an essential step for new products of MU identification.

Whole set of high-speed rail technology: It comprises high-speed rail construction-related technology, high-speed train technology, train control technology, construction technology at passenger stations, system Integration Technology, and operation and maintenance technology, etc.


CRH2 — MU with 200-250 kilometers per hour


CRH6 — MU with 140-200 kilometers per hour


CRH380A — MU with 300-350 kilometers per hour

Report of Directors

Report of Directors

Locomotive business — innovation drives development

An increase of **13.69%** *in revenue as compared with the previous year*

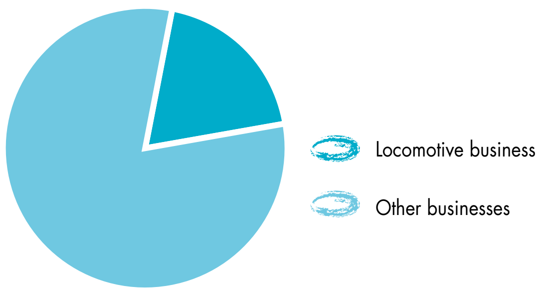
CSR's locomotive business has formed a relatively complete industrial chain system, including CSR Zhuzhou, CSR Ziyang, CSR Qishuyan, CSR Luoyang, CSR Chengdu, Guangzhou Electric Locomotive as locomotives manufacture and repair enterprises, as well as CSR ZELRI, CSR Qishuyan Institute, CSR Electric as major accessories manufacturers. Depending on many years of innovation and accumulation, and advanced design concepts, the Company continued to meet new demands of user customization and diversity, and consolidate the advantages of sustainable development. In 2014, revenue from locomotive business increased by 13.69% to RMB22.563 billion as compared with last year.

Steady market position: in 2014, the share of the national railway market was improved once again, and overseas markets grew rapidly. Newly signed electric locomotive project in South Africa, with the amount of over 2 billion US dollars broke China's locomotive export record. As at the end of 2014, CSR has manufactured 3772 sets of harmony locomotives, which ride in China's major railway lines, adapt to transport demand in different regions, different weather conditions and different power levels, greatly easing the tense situation at the busy sector of Chinese rail freight transport.

Prospective research perspective: With increasingly tight energy supply in the world, in the field of electric locomotives or diesel locomotives, it is necessary to develop more energy-efficient and environmentally friendly technical equipment. In 2014, CSR grasped the trend of sustainable development, and focused on promoting railway overloading, high speed and technical progress in AC drive, and simultaneously focused on the development and application of energy saving and environmentally friendly technology, leading the development of new equipment with Chinese railway traction power. Two types of new energy locomotives — 3000 horsepower of petrol-electric locomotive and 5000 horsepower of dual-fuel diesel locomotive developed successfully, the related energy saving and emission reduction targets were excellent; 4400 horsepower of AC drive diesel shunting locomotive (HXN5B type) achieved batch sales; plateau passenger's electric locomotive completed optimization and adjustment, and 30 sets of batch production was completed in the year and put into operation; DK2 brake system was used in batch in HXN5B locomotive; cast iron brake discs of the locomotive reached the level of bulk loading; steel brake disc formed small quantities of loading, and fully equipped with localization brake system in the passenger locomotive. The research of export locomotive also reached results. Two sets of SDA3-type diesel locomotive exported to Thailand have completed acceptance and shipment by Thailand; 21E-type locomotive exported to South Africa has completed test and shipment of two sets of sample vehicles.

Representing

19.13% **of revenue in 2014**



Report of Directors

Knowledge Link:

Diesel locomotive: A locomotive powered by internal combustion engine. Since the beginning of the mid-20th century, diesel locomotive became the major railway locomotive type in most parts of the world as it could directly replace the steam locomotive, whereas electric locomotive must rely on other power transmission facilities. Diesel locomotive can be classified into three main types, namely electric transmission, hydraulic transmission, and mechanical transmission according to different ways of power transmission.

Electric locomotive: A locomotive powered from overhead lines or from a third rail outside the compartments can only travel in railway electrification. Despite the high price of railway electrification, the operating costs of electric locomotive are lower than diesel ones and it will not cause air pollution along the lines. Electric locomotive performs well in terms of acceleration and regenerative braking, which is very suitable for use in passenger-intensive passenger line.

Double-current locomotive: A locomotive which is adaptive to different power modes where electricity drawn from a power grid and to function under different frequency and voltage with direct current (DC) and alternating current (AC). Under several traction power supply standards, the needs for transnational or cross-regional passenger and freight rail of electric locomotives have been met.


Passenger electric locomotive with a speed of 160 kilometers per hour


Hybrid locomotive

Report of Directors

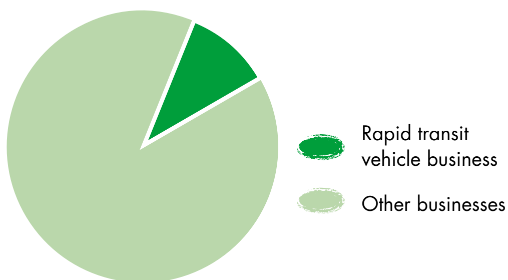
Urban rail transit service — green condenses value

An increase of ***49.44%*** *in revenue as compared with the previous year*

CSR's urban rail transit business primarily comprises complete vehicle manufacturers of urban rail transport including CSR Sifang, CSR Zhuzhou, CSR Puzhen, as well as CSR ZELRI, CSR Qishuyan as component manufacturers. CSR has built and formed industrial clusters with independent research and development, supporting system and scale operation. In 2014, revenue from urban rail business increased by 49.44% to RMB12.330 billion as compared with last year.

Representing

10.46% of revenue in 2014



Steady growth of market: In 2014, tender invitations and discussions in the urban railway vehicle market involved 33 projects in 21 cities in China including Beijing, Shanghai, Tianjin, Chongqing, Guangzhou, Shenzhen, Nanjing, Huaian, Hangzhou, Wenzhou, Chengdu, Xian, Wuhan, Zhengzhou, Kunming and Foshan, 19 projects of which were obtained by CSR. Tender invitations and discussions in the urban railway vehicle traction system market involved 30 projects in the whole year, 19 projects of which were obtained by CSR. In terms of implementation of order, the Company delivered 37 vehicle projects in the whole year, implemented 16 traction system projects and 2 network projects, and involved in signal, brake and screen door projects, showing overall integration capacity of CSR in the field of urban rail electrical equipment system.

Report of Directors

Technological breakthrough: CSR owned all types of whole vehicle development technology of urban rail transport, comprehensively mastered the key technologies, such as the vehicle body, bogie, train traction control, traction converters, traction motors, braking systems and signal systems, etc., thus constructing core competitiveness of urban rail business. In 2014, a few of new urban rail vehicle products that are in line with the development direction of green and wisdom have obtained applications. Modern low-floor tram is the main strength of ground rail transport. With the leading technologies of permanent magnet and direct drive, articulated high-capacity wide body, non-network energy storage and operation, CSR is close to the user needs to quickly seize the emerging markets. Especially, the world's first modern pure super capacitor energy-storage tram with 100% of low floor has been successfully developed, which obtained universal concern in rail transit technology exhibition in Berlin. The vehicle adopts super capacitor as the traction power supply. There is no need to set up "spider web" of aerial cable to effectively reduce the construction cost. When the train gets in, by the use of passenger time to get on or off, it just takes 30 seconds to complete the charge, characterized by "green, wisdom, environmental protection, and convenience". Meanwhile, CSR is independently developing monorail vehicles that are in line with existing domestic CJ287 standard, and introducing complete technologies of INNOVIA 300 monorail transit contained with turnout and track, thus laying a basis to carry out related mechanical and electrical engineering contracting business.

Focus on user needs: CSR is one of the enterprises with all-round urban railway related products and comprehensive industrial chain., which enables the Company to provide multiple speed rate, with 80,100 and 120 kilometers per hour, aluminum alloy, stainless steel, carbon steel and other materials, Type A, Type B, Type L and urban train, modern tram, monorail cars, rubber-tyred vehicle, maglev vehicle and other types of urban rail vehicle products. The Company made the lean manufacturing to respond to stringent quality requirements on the public transport by the users. Through construction of standard after-sales service site, and greatly enhancing the on-site management level and service image of the after-sales services, customer satisfaction has been significantly improved. Especially in 2014 major events, such as Beijing APEC meeting, Nanjing Youth Olympic Committee, etc., CSR successfully completed service assurance work, and obtained a good reputation from the subway operators.

Knowledge Link:
Subway and light rail: Under different formats of urban rail transit systems, the differences between subway and light rail blurred gradually along the development of history and technology. Originally, "light rail" and "heavy rail" are a pair of conceptual terms. Since different ranges of axle load and the total weight of trains passing each year in the past that required different needs of steel rail, as such a distinction between light rail and heavy rail was formed. The limit of the axle load is approximately 12-13 tonnes.

Metro is the short form of "subway" instead of "ground rail". Generally, the maximum volume of one-way passenger traffic in peak hours for metro is 30,000-60,000 passengers, which is the urban rail transit standard with the strongest capability to accommodate large passenger traffic.

Hence, metro requires large axle and independent right of way. In the bustling city areas, if the metro runs on the ground rather than underground or overhead, its right of way and frequent train trips will affect traffic efficiency of other road traffic.

Light rail can accommodate 10,000-30,000 passengers for the maximum volume of one-way passenger traffic in peak hours. Within such passenger range, there are other four city rail standards, namely monorail system, tram, maglev system, and the city fast-track system. Among which, the outer shape of light rail vehicles has the highest resemblance to the metro's.


Energy-storing light-rail vehicles


Modern trams


Subway trains

Report of Directors

Passenger carriage business — people-oriented

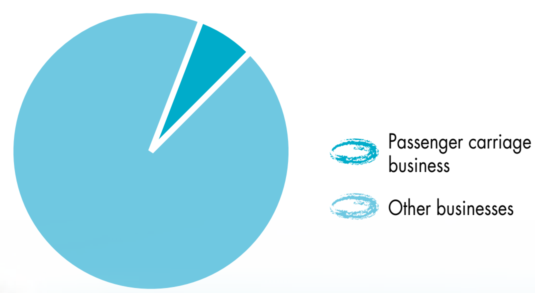
Revenue of passenger carriage business for the year amounted to ***RMB7.725*** *billion*

CSR's passenger carriage business primarily comprises CSR Puzhen, CSR Sifang, CSR Sifang Ltd., CSR Chengdu and BST, etc. In 2014, revenue from passenger carriage business increased by 17.22% to RMB7.725 billion as compared with last year.

Assistance in the development of passenger carriage: As at the end of 2014, China's railway mileage reached 112,000 kilometers. While the formation of high-speed rail network, the traditional passenger carriage also received enough attention, and the inventory of national railway carriage maintained the scale of about 48,000. Based on the demands of rail market on high-end passenger carriages with centralized power supply, equipped with air conditioner and toilet, CSR continued to improve quality, efficiency and effectiveness of the product by conducting a modular design, strengthening technological innovation of the high-speed passenger carriage, and implementation of lean manufacturing, thereby enhancing the competitiveness of the traditional passenger carriage market.

Representing

6.55% **of revenue in 2014**



Knowledge Link:

Types of passenger trains: Passenger trains are divided into three types, namely passenger transport, passenger services, and special purposes. Passenger transport trains include hard-seat, soft-seat, hard-sleeper, and soft-sleeper trains. Passenger service trains include baggage car and dining car. And special purpose vehicles include postal vehicle, test car, track inspection vehicle, public service vehicle, medical vehicle and camping car.

Axle-load of passenger train: The maximum total mass (train wheels inclusive) according to axle types and within a certain range of operation speed which the axle can accommodate. In simple terms, axle load is the ratio of the total weight of a vehicle to the number of axes, which is the maximum weight for each axle can accommodate. The actual loading of each axis, however, is not balanced. The axle should be determined by the maximum carrying load instead of the average ratio.


Model 25T passenger load


Qinghai-Tibet passenger carriage


Model 25G passenger load

Report of Directors

Freight wagon business — quality achieves reputation

Revenue of freight wagon business for the year amounted to ***RMB7.414*** *billion*

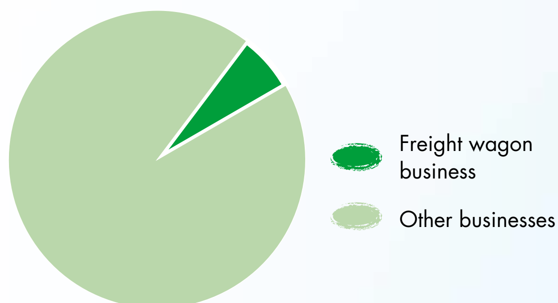
CSR's freight wagon business mainly comprises CSR Yangtze, CSR Meishan, CSR Erqi, CSR Shijiazhuang and CSR Guiyang. CSR Guiyang is a new company of CSR after restructuring of South Huitong, mainly engaged in repair of railway freight wagons and freight wagon accessories business of original South Huitong. In 2014, with the slowdown demands on the domestic rail freight, and significant decrease in the total amount of railway freight wagons' procurement, CSR vigorously developed self-owned vehicle market, and strengthened the integration of product development and marketing, thus maintaining basically stable market share in the freight wagon repair business. Revenue from freight wagon business was decreased by 35.06% to RMB7.414 billion as compared with last year.

Product development blended into the market: The research and development purpose of CSR is market-oriented, and tailored to customers, and to form expertise in reliability study of the new technology and product. In the Chinese market, a batch of DZ2-type tilting and DZ3-type truss bogies with the axle load of 27t developed by the Company have been loaded for application and tests, with excellent performance; new aluminum alloy coal hopper wagon with the axle load of 23t designed in optimization could realize the technical indicators, with 100t of load, and less than 20t of dead load. The performance reached the world advanced level; completed technical and economic feasibility study of 160km/h of fast boxcar, design of technical scheme and trial manufacturing of samples, which could meets the needs of fast railway freight of E-business cargos. In overseas markets, the Company provided large axle load of ore hopper wagons, large volume of box cars and other high-quality products to customers from Australia and other countries, so as to meet different rail freight demands of overseas customers.

Lean management ensures quality: CSR improved the quality and reliability of freight wagons by deepening lean management. In 2014, the Company vigorously implemented construction of simulated production line and simulated distribution line in the production of freight wagons, thereby significantly improving the production efficiency and further strengthening, the quality system, the quality of freight wagon products continued to maintain relatively high level. There was no Class C or above general accidents occured throughout the year.the quality and safety of freight wagon application is far abovethe average level of the whole road.

Representing

6.29% of revenue in 2014

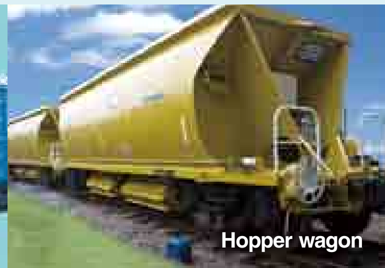


Knowledge Link:

Special freight wagon: A vehicle which is specially for transporting a certain kind of goods, such as a coal truck, a container truck, SPV for transporting vehicles, etc. In order to broaden the scope of special-purpose vehicles and improve efficiency, the truck business of CSR developed shared vehicles with a variety of uses by combining the functions of special trucks. For example, container — flat car shared vehicles, and transport vehicle — general cargo shared vehicles.

Heavy rail: For the overloaded railway standards proposed by the International Heavy Haul Association, at least two out of three conditions in below should be satisfied: (1) the quality of traction is no less than 8000t; (2) the axle load of vehicles in the chain is no less than 27t; (3) line length is no less than the section of 150km, cargo billing per annum is no less than 40 mt.


Box wagon


Hopper wagon


Flat wagon


Open wagon


Tanker

Report of Directors

New businesses – homocentric diversified development

New business revenue for the year amounted to **RMB13.302** *billion*

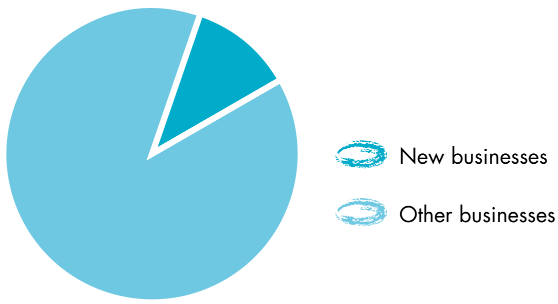
CSR's new business primarily comprises CSR ZELRI, CSR Electric, CSR Qishuyan Institute, CSR Ziyang, CSR Zhuzhou and CSR Meishan, which expands proprietary technology of CSR's rail transportation equipment to new materials, new energy equipment, power transmission and industrial automation, mechanical engineering and other fields. In 2014, revenue from new business increased by 1.91% to RMB13.302 billion as compared with last year.

Results of capital operation: In the field of new materials, CSR completed settlement of whole acquisitions of rubber metal and plastics business of BOGE Company under ZF Friedrichshafen AG in Germany in September 2014, and amounted to 290 million in euros, which is the largest overseas mergers and acquisitions project implemented by CSR by far. After the completion of mergers and acquisitions, CSR's world's non-tire rubber sector significantly increased to rank of about 15. In the field of new energy passenger carriage, CSR combined with Ningbo Municipal Government to acquire and integrate the commercial vehicle company under Ningbo Shenjiang Holding Company, and set up Zhejiang CSR Limited", position the development and sales of super capacitor's new energy passenger carriage, and enrich new energy passenger carriage spectrum and product lines of CSR. In the field of industrial motors and transformers, CSR cooperated with Guangzhou Junfa. CSR obtained high-end epoxy cast transformer technology and market, thus further enriching and improving the product structure, forming a complete technical and industrial system in the oil change and dry change, laying a basis to further expand wind power generation, industrial rectifier, coal metallurgy and transformer field.

Market development renews a record: In the wind power equipment industry, CSR signed a RMB2.4 billion wind turbine contract with Goldwind Science and Technology, and renewed the record of contract amount. In the new energy passenger carriage industry, CSR defeated a number of internationally renowned competitors, and helped Brazil World Cup. Its good operating performance established reputation for CSR's new energy passenger carriage, and also brought demonstration effect for China's new energy passenger carriage to enter in the international market. In the ship electric driven industry, CSR signed an electric propulsion system project contract with 94.2 m of self-propelled jack-up barge with Singapore TY Marine Pte Ltd, becoming the world's most advanced system integration contractor of the ship type. In the industrial drive

Representing

11.28% **of revenue in 2014**



industry, CSR successfully delivered 220 tons of electric wheel assembly of Shenhua Beidian to break the monopoly of foreign enterprises to large-tonnage electric wheel assembly. In the new materials industry, CSR successfully obtained the first samples order in the Packer seal system on the deep sea drilling platform of GE Oil & Gas, becoming the first non-metallic materials supplier of GE Oil & Gas in China. In the high-power semiconductor industry, IGBT products are successfully developed, which will be put to Xiamen soft straight projects, providing a strong guarantee for the safe transport of the country's energy sector.

Breakthrough in product research: In the industrial drive industry, the main drive semi-physical simulation platform of high-power LCI metallurgical mill lasted nearly a year of construction and application has matured after assessment and comparison of a large number of field data, and optimization and upgrading of multiple functions, filling the gaps in the domestic master control system development and testing in the metallurgical mill. In the wind power equipment industry, CSR launched the country's first 2 MW of ultra-low wind speed carbon fiber blades, marking that CSR has independent R & D and manufacturing capabilities of the carbon fiber blades; moreover, 2 MW of 56.5 m self-developed

Report of Directors

low wind speed blade is the longest in the country, which has passed static trial evaluation in a period of 5 days, and obtained production certification by the international authority, making that CSR has obtained a pass for 2 MW of the longest fan blade. In the marine electric drive industry, CSR launched the first set of marine electric propulsion system, and has successfully loaded in the State Oceanic Administration, "Xiang Yang Hong 10" ocean comprehensive survey ship. In the engineering machinery industry, 80T crawler compaction machine (CHUY800 type) came out successfully, marking that CSR has the ability to self-develop large tonnage of compaction machines.

Knowledge Link:

IGBT: IGBT stands for Insulated Gate Bipolar Transistor. Being the key core component of automatic control and power conversion, it is indispensable in various industries, such as aerospace, new energy, rail transportation, industrial inverter, smart grid or even smart appliances. IGBT is a world-recognized typical product of power electronic device in the third technological revolution, in particular high-power IGBT products which play an irreplaceable role in green economy.

Super-capacitor: Super-capacitor or ultra-capacitor; electrical double-layer capacitor, gold capacitor, farad capacitor. It makes use of electronic conductor of activated carbon, and organic or inorganic electrolyte ion conductor to form an electric double layer capacitor under the principle of induction electric double layer. Compared to battery (lead-acid, nickel-manganese, lithium), super-capacitor has the advantages of high charging speed, high power density, long life, safety, eco-friendly, and broad operating range.


Commencing production of 8-inch IGBT


IGBT assemblage


Single super-capacitor combinations

Report of Directors

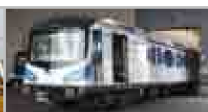
Overseas business — responsibility promotes win-win

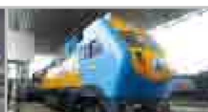
Overseas revenue amounted to **RMB10.314** *billion*

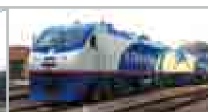
Asia


馬來西亞 Malaysia

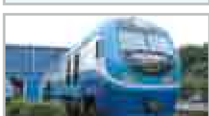

新加坡 Singapore


印度 India


沙特阿拉伯 Saudi Arabia

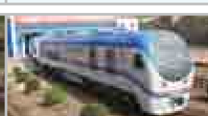

烏茲別克斯坦 Uzbeklstan

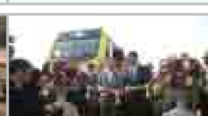

土庫曼斯坦 Turkmenistan


哈薩克斯坦 Kazakhstan


格魯吉亞 Georgia


斯里蘭卡 Sri Lanka


蒙古 Mongolia


泰國 Thailand


阿聯酋 Emirates

Report of Directors

International business is one of the main directions of CSR's strategic development. In 2014, the Company strengthened the overall planning and model innovation from strategic and tactical level, and makes new breakthrough in the international operations through strong foundation, strict management and actuation force. Revenue from overseas business was increased by 58.63% to RMB10.314 billion as compared with last year.

New breakthrough in market performance: in 2014, CSR simultaneously developed "deep culture" and "open up" in the overseas market, completed the signing of the complete vehicle project of 35 locomotives and multiple railway accessories and export of new industrial products to achieve a total of US$3.76 billion in the order signed for export, reaching the best level in history. The signing of the complete vehicle exports accounts for more than 90% of the total exports. The varieties include electric locomotives, diesel locomotives, EMUs, DMUs, underground light rail, passenger carriage, and freight wagon. The signatories include 38 countries or regions such as Macedonia, South Africa, Turkey, India, Singapore, Australia and Argentina. In the South African market, CSR has obtained US$2 billion of electric locomotive purchase order, which has become the largest order to export China's complete vehicle of high-end rail transit equipment; in the Singapore market, metro T251 project has achieved zero breakthrough in CSR driverless metro vehicles exports; in the market in Macedonia, the procurement contract of six EMUs made the complete vehicle product "Made in China" first land in Europe. The achievement of this series of representative projects marks that the international brand value of CSR obtained market inspection and approval. CSR's overseas trade is moving toward the development with more high-end product varieties, more comprehensive regional distribution, and more flexible business model.

International business is getting better: CSR continued to strengthen international operations, not only to increase the efforts on product marketing, but also pay more attention to coordinate the global market development, take into account the integration of global quality resources, promote overseas industrial layout, and enhance the ability of international operations. By re-dividing the global market segments, the Company has constructed autonomous, collaborative and global international marketing network system. The green field investment projects in Malaysia, Turkey, South Africa and other countries were promoted according to plan. Based on summarizing the existing experience in overseas acquisition project, CSR spent 290 million in euros acquiring rubber metal and plastic business of century-old brand BOGE Company under ZF Group. With the establishment and benign management of CSR's overseas operation "positions", CSR was promoted to deeply integrate into the global market. In Malaysia, CSR shifted from the initial simple output product to "export goods + services + technology + construction base". The establishment of EMU maintenance bases and ASEAN manufacturing center could not only provide local employment opportunities and participation in community welfare activities, but also promote the technological progress and industrial development of the local rail transit equipment; the enterprise obtained market recognition. In 2013 and 2014, CSR obtained a total of RMB3.242 billion of new market orders in Malaysia, and played a positive radiation effect on the neighboring markets.

Fully use "high-speed rail going out": Since 2013, during the trip, Chinese leaders have repeatedly and actively promoted Chinese high-speed rail technology of "advanced technology, safety, reliability, cost-competitiveness", becoming "super salesmen" of high-speed rail. "High-speed rail going out" has become a major strategy in the national level, and plays a strong role in promoting the export of high-speed trains and even high-end rail transport equipment. CSR followed the trend, grasped favorable situation of "high-speed rail diplomacy" of the Chinese government, and as the Chinese team member, actively consulted with a number of countries on the cooperation of high-speed rail project, achieving initial results, and improving rapidly the CSR's international reputation. With the rapid implementation of the free trade zone, Belt and Road Initiative and a series of major national strategic plans, it might bring greater opportunities for CSR. Under an impact on national card of high-speed rail, CSR would achieve greater breakthroughs in the aspect of "going out" of high-end rail transit equipment.

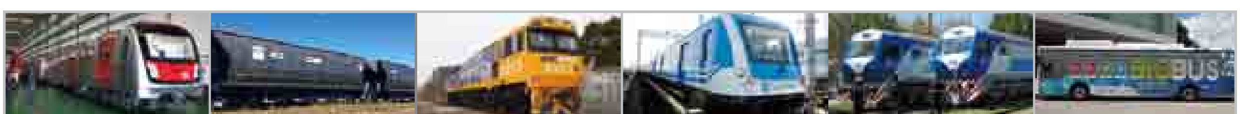
Africa

南非 South Africa | 突尼斯 Tunisia | 幾內亞 Guinea | 蘇丹 Sudan | 納米比亞 Namibia | 津巴布韋 Zimbabwe

Eurasia

Oceania

South America



土耳其 Turkey | 澳大利亞 Austrlia | 阿根廷 Argentina | 巴西 Brazil

Report of Directors

(II) Analysis of main businesses

1. Revenue

(1) Analysis on the factors that caused changes in revenue

The revenue of the Company mainly comprises revenue generated from locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles, new businesses and others. In 2014, the Company positively responded to complicated market environment, implemented annual working philosophy, reinforced operation management and control to ensure stable and sustained operation and management. The Company recorded revenue of RMB117.920 billion, representing a year-on-year growth of 20.75%, which was mainly attributable to the year-on-year growth of revenue from locomotives, passenger carriages, MUs and rapid transit vehicles.

(2) Revenue breakdown by business

Revenue from all businesses of the Company for year 2014 and the comparison with that for last year are set out in the following table:

	2014		2013		
Business	**Amount *(RMB'000)***	**Percentage %**	Amount *(RMB'000)*	Percentage %	**Growth rate %**
Locomotives	**22,562,659**	**19.13**	19,845,554	20.32	13.69
Passenger carriages	**7,725,322**	**6.55**	6,590,448	6.75	17.22
Freight wagons	**7,413,677**	**6.29**	11,416,669	11.69	-35.06
MUs	**37,518,758**	**31.82**	19,189,292	19.65	95.52
Rapid transit vehicles	**12,329,909**	**10.46**	8,250,930	8.45	49.44
New business	**13,302,270**	**11.28**	13,052,926	13.37	1.91
Others	**17,067,391**	**14.47**	19,309,184	19.77	-11.61
Total	**117,919,986**	**100.00**	97,655,003	100.00	20.75

893 locomotives were sold by the Company, representing a year-on-year increase of 37.38%; revenue from locomotives, increased by 13.69% on a year-on-year basis, which was mainly attributable to an increase in sales volume and the structural change in the variety of products

1,725 passenger carriages were sold by the Company, representing a year-on-year increase of 26.28%; revenue from passenger carriages increased by 17.22% on a year-on-year basis, which was mainly attributable to an increase in passenger carriages delivery by the Company.

8,622 freight wagons were sold by the Company, representing a year-on-year decrease of 52.14%; revenue from freight wagons decreased by 35.06% on a year-on-year basis, which was mainly attributable to the drop in freight wagon product delivery by the Company.

1,566 MUs were sold by the Company, representing a year-on-year increase of 77.95%; revenue from MUs increased by 95.52% on a year-on-year basis, which was mainly attributable to an increase in MUs delivery by the Company.

1,794 rapid transit vehicles were sold by the Company, representing a year-on-year increase of 24.50%; revenue from rapid transit vehicles increased by 49.44% on a year-on-year basis, which was mainly attributable to structural adjustment of products and the increase in product delivery by the Company.

Revenue from new businesses was increased by 1.91% on a year-on-year basis. In 2014, revenue from wind power equipment amounted to RMB2.805 billion, representing a year-on-year increase of 4%; revenue from automobile equipment amounted to RMB2.949 billion, representing a year-on-year increase of 32.96%; revenue from construction machinery amounted to RMB1.768 billion, representing a year-on-year decrease of 33.65%; while revenue from composite materials amounted to RMB1.964 billion, representing a year-on-year decrease of 3.27%.

Other revenue includes revenue from modern logistics and businesses other than rolling stock business, representing a year-on-year decrease of 11.61%. The decrease in other revenue as compared to the previous year was primarily due to the decrease of scale of modern logistics.

(3) Analysis of orders

In 2014, the Company signed new orders of approximately RMB159 billion, representing a year-on-year increase of 18%, with unfinished orders of approximately RMB138.50 billion at the end of 2014, representing a year-on-year increase of 25%.

(4) Major suppliers and customers

In 2014, the procurement by the Company from its top five suppliers totalled RMB9,779,075,000, accounting for 10.33 % of the total procurement for the year.

In 2014, the sales of the Company to its top five customers totalled RMB65,807,418,000, accounting for 54.97% of the total sales of the Company for the year. Such high degree of customer concentration was primarily attributable to the Company's sales to its biggest customer, namely China Railway Corporation (including all railway bureaus and its subsidiaries), which accounted for 46.13% of the Company's total sales for the year.

None of the Directors or their associates or any shareholders holding more than 5% of the equity interests in the Company have any interests in the above mentioned suppliers or customers.

Report of Directors

(5) Revenue breakdown by regions

For year 2014, revenue from the Company's operations by regions and the comparison with that of last year are set out in the following table:

Business	2014 Amount (RMB'000)	2014 Percentage %	2013 Amount (RMB'000)	2013 Percentage %	Growth rate %
Mainland China	107,605,506	91.25	91,152,935	93.34	18.05
Other countries or regions	10,314,480	8.75	6,502,068	6.66	58.63
Total	117,919,986	100.00	97,655,003	100.00	20.75

Revenue from domestic market of the Company increased by 18.05% as compared with that of last year, while revenue from other countries or regions increased by 58.63%, which was mainly attributable to increase in product delivery in the year.

2. Analysis of cost and gross profit margin

For year 2014, consolidated gross profit of the Company and the comparison with that of last year is set out in the following table:

Item	2014 Amount (RMB'000)	2013 Amount (RMB'000)	Growth rate %
Revenue	117,919,986	97,655,003	20.75
Cost of sales	93,880,329	80,846,510	16.12
Gross profit	24,039,657	16,808,493	43.02
Gross profit margin	20.39%	17.21%	

The Company's cost of sales increased by 16.12% on a year-on-year basis, amongst which the proportion of raw materials, labor costs, kinetic energy charges, depreciation and other major items to the total cost remained stable without significant changes. Consolidated gross profit margin of products was 20.39%, representing a year-on-year increase of 3.18 percentage point, primarily due to a drop of gross profit margin caused by changes in revenue structure.

3. Material changes in financial figures such as administrative expenses during the reporting period

In 2014, the financial figures such as administrative expenses of the Company and year-on-year changes thereof are set out in the following table:

Item	**2014 Amount *(RMB'000)***	2013 Amount *(RMB'000)*	**Growth rate** %
Distribution and selling expense	**5,369,221**	3,104,796	72.93
Administrative expenses	**11,373,566**	8,702,742	30.69
Finance costs	**762,294**	550,207	38.55
Share of profits and losses of associates and jointly ventures	**349,299**	363,791	-3.98
Income tax expense	**1,219,880**	864,190	41.16

The increase of 72.93% in selling and distribution expenses of the Company as compared with that of last year was mainly attributable to the increase of product quality margin due to expansion of sales volume.

The administrative expenses of the Company increased by 30.69% as compared with that of last year, mainly attributable to 1) the continuous increase in research and development expenses of the Company, and 2) the increase in the salary of management, repair costs and depreciation fees as a result of the Company's growth in operation scale and business volume.

The finance costs of the Company increased by 38.55% as compared with that of last year, mainly attributable to the increase of interest expense.

The decrease of 3.98% in the share of profits and losses of associate and jointly-controlled entities of the Company as compared with that of last year was mainly attributable to the decrease in profits of associate and jointly controlled entities.

The increase of 41.16% in income tax expense of the Company as compared with that of last year was mainly due to the increase in overall profit from operations for the year.

4. R&D expenses

In 2014, the Company continued to increase investment in science and technology R&D, totalling RMB6.63 billion throughout the year, which accounted for 5.6% of the revenue, among which, the R&D costs was RMB5.181 billion, representing 10.06% of the net assets and 4.39% of the revenue. Expensed R&D costs was RMB5.177 billion, whilst the capitalization of R&D costs was RMB40 million. The Company has organized to carry out major national science and technology projects, the National Technology Support Program, 863 plans, and nearly 2000 items of province and company's R & D projects. The R & D of products has made a number of significant results, and EMU product spectrum has been improved. Self-developed plateau electric locomotives and HXN5B-type diesel locomotives have achieved volume production. The world's advanced level of tramcar with 100 % of low floor has been successfully developed, and successfully developed new technical standards of freight wagon was leading in the industry, high-end export products supported the overseas market development, and self-developed core components of rail transit equipment has enhanced core technical capabilities. One item of international standards was released, six items of international standards were developed, and 78 items of national and industrial standards were drafted, and the industry influence continued to increase. 1769 items of authorized patents were obtained, with a total of 8057 items of effective patents, ranking front in the central enterprises.

Report of Directors

5. Breakdown of the cash flow during the reporting period

In 2014, the cash flow of the Company and the year-on-year changes thereof are set out in the following table:

Item	2014 Amount (RMB'000)	2013 Amount (RMB'000)	Growth rate %
Net cash flows from operating activities	**13,726,952**	5,453,157	151.72
Net cash flows from investing activities	**–9,683,014**	–7,344,263	Outflow increase: 31.84
Net cash flows from financing activities	**–2,807,342**	1,478,781	Not applicable

The net cash flows from operating activities of the Company increased by 151.72% over last year, which was mainly due to the significant increase in cash collection from selling goods and providing labor.

Net cash flows from investing activities of the Company recorded a deficit increased by 31.84% over last year, which was mainly due to the increase in cash payment for overseas merger and acquisition, expansion of finance leasing, and investment in financial transaction.

Net cash outflow from financing activities of the Company were RMB2.807 billion, which was mainly due to repayment of expired borrowings by the Company to control the inventory of monetary capital.

6. Others

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

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

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

① Non-public issuance of shares: Please refer to "3. Use of Proceeds of (V) Analysis on Investment in the Report of Directors" of this annual report for details of analysis on implementation progress of non-public issuance of shares.

② Corporate bonds: On 22 April 2013, the Company issued two kinds of corporate bonds to the public with an aggregate amount of RMB3 billion, namely five-year bonds and ten-year bonds, of which, 5-year bonds of RMB1.5 billion were issued with an interest rate of 4.7%, maturing on 22 April 2018 and 10-year bonds of RMB1.5 billion were issued with an interest rate of 5%, maturing on 22 April 2023.

③ Ultra short-term debentures: On 4 September 2013, the Company issued ultra short-term debentures with a term of 180 days in the PRC interbank bond market, with an issue amount of RMB2 billion. The interest rate was 4.80% and the maturity date was on 4 March 2014, which has been repaid upon maturity on 4 March 2014. On 26 February 2014, the Company issued ultra short-term debentures with a term of 270 days in the PRC interbank bond market, with an issue amount of RMB2 billion. The interest rate was 5% and the maturity date was on 25 November 2014, which has been repaid upon maturity; on 26 February 2014, the Company issued ultra short-term debentures with a term of 180 days in the PRC interbank bond market, with an issue amount of RMB2 billion. The interest rate was 5% and the maturity date was on 27 August 2014, which has been repaid upon maturity; on 16 September 2014, the Company issued ultra short-term debentures with a term of 90 days in the PRC interbank bond market, with an issue amount of RMB3 billion. The interest rate was 4.75% and the maturity date was on 16 December 2014, which has been repaid upon maturity.

④ The company's shares were suspended at the Stock Exchange since October 27, 2014. From 29 December to 30 December 2014, the Company held the seventh meeting of the third session of the Board of the Company, and approved Proposal on Mergers of CSR Corporation Limited and CNR Corporation Limited and signed Merger Agreement of CSR Corporation Limited and CNR Corporation Limited. The merger proposal involved in issuing about but not more than 11,138,692,293 shares of A shares of the Company, and 2,347,066,040 shares of H shares of the Company based on share conversion ratio to shareholders of A shares of CNR Corporation Limited and H shares of CNR Corporation Limited in a way of consolidation by merger, so as to exchange all existing issued shares of CNR Corporation Limited. The Company's shares would resume trading on 31 December, 2014.

The controlling shareholder of the Company, CSR Group has received Reply on Mergers of CSR Corporation Limited and CNR Corporation Limited issued by the SASAC (Guo Zi Chan Quan 2015 No. 117), and the SASAC agreed in principle to this merger. China Securities Regulatory Commission respectively examined the administrative license application materials of H-share Issuance submitted by the Company, and the administrative license application materials of Merger and Split Approval of CSR Corporation Limited, and issued Acceptance Notice on Administrative License Application of China Securities Regulatory Commission (No. 150474, No. 150497) on 13 March and 17 March 2015, respectively. Pursuant to the acceptance notice, China Securities Regulatory Commission considered by law that application materials are complete and meet the statutory form, and decided to accept such administrative license application.

The Company held 2015 First Extraordinary General Meeting on March 9, 2015, 2015 First A Shares General Meeting and 2015 First H Shares General Meeting, the General Meeting passed the merger-related resolutions.

Details of the above mergers on of CSR Corporation Limited and CNR Corporation Limited and progress are shown in the related announcement published by the Company on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange.

Report of Directors

(3) Progress of development strategy and business plan

In 2014, the Company adhered to the business principles of "continuity, in depth and breakthrough", strengthened operational control, and successfully completed business plan targets. Revenue for the year amounted to RMB117.92 billion, representing an increase of 20.75% over last year while net profit attributable to owners of parent company increased by 27.61% to RMB5.315 billion as compared to the last year. The Company has entered into the front rank of the industry in the world in terms of total assets, revenue and so forth. The Company established a batch of R&D and manufacturing bases for high-speed MUs, electric locomotives, internal combustion locomotives, rapid transit vehicles, railway freight wagons and so forth with international advanced level. The Company successfully developed and bulk produced high-power alternating current transmission internal combustion and electric locomotives, high-speed MUs, rapid transit vehicles and big-axis overhauling freight wagons with independent intellectual property rights. The performance and quality level of products represented the world-class level. The strategic new businesses such as wind power equipment, electric automobiles, new materials and so forth as well as extended businesses from superior resources such as engineering machinery, engines and so forth entered into a rapid-growth period with formation of development foundation. The industry collaboration continued to enhance and integration of resources further deepened, and cross-industry development capacity enhanced steadily; the Company systematically promoted international layout, optimized the management mechanism of overseas institutions, and initially formed international business.

(III) Composition and changes of major assets and liabilities of the Company during the reporting period

1. Composition and changes of major assets of the Company during the reporting period

In 2014, the Company's assets were measured mainly by historical cost method and partly at fair value. Main items of statements measured at fair value were financial assets. There was no material change to the measurement basis of major assets during the reporting period.

The composition and year-on-year changes (in net value) of major assets of the Company as at 31 December 2014 are set out in the following table:

	2014		2013		
Item	Amount *(RMB'000)*	Percentage %	Amount *(RMB'000)*	Percentage %	Growth rate %
Total current assets	103,790,732	68.93	83,799,305	68.45	23.86
Of which: cash and cash equivalents *(Note)*	18,312,008	12.16	16,470,224	13.45	11.18
Bills receivables	6,693,741	4.45	6,144,132	5.02	8.95
Trade receivables	33,541,848	22.28	34,403,110	28.10	-2.50
Prepayments, deposits and other receivables	9,979,964	6.63	7,949,113	6.49	25.55
Inventories	30,663,146	20.37	17,969,922	14.68	70.64
Total non-current assets	46,774,277	31.07	38,616,505	31.55	21.13
Of which: property, plant and equipment	28,827,564	19.15	25,701,400	21.00	12.16
Total assets	150,565,009	100.00	122,415,810	100.00	22.99

Note: This amount includes pledged bank deposits and cash and bank balances.

As at 31 December 2014, the ratio of current assets to total assets of the Company was 68.93%. The asset portfolio of the Company was contributed mainly by current assets and less by non-current assets. Such feature was mainly a result of the expansion of the Company's business scale and longer production cycle of the equipment manufacturing industry.

The cash and cash equivalents of the Company as at the end of the year increased by 11.18% as compared with that as at the beginning of the year. This was mainly attributable to the increase in collection of sales revenue by the Company at the end of the year. In relative terms, the cash and cash equivalents of the Company accounted for 12.16% of the total assets as at the end of the year, representing a decrease of 1.29 percentage points from the beginning of the year.

The bills receivables of the Company as at the end of the year increased by 8.95% as compared with that as at the beginning of the year, mainly attributable to the increase in the scale of sales revenue and settlements with acceptance bills by clients. In relative terms, bills receivables of the Company accounted for 4.45% of the total assets as at the end of the year, representing a decrease of 0.57 percentage points from the beginning of the year.

Trade receivables of the Company as at the end of the year decreased by 2.50% as compared with that as at the beginning of the year, mainly due to increase in receivables in credit terms resulting from concentrated delivery at the end of the year. In relative terms, trade receivables of the Company accounted for 22.28% of the total assets as at the end of the year, representing a decrease of 5.82 percentage points from the beginning of the year.

Prepayments, deposits and other receivables of the Company increased by 25.55%, mainly due to the increase in offsets against business taxes payable resulting from the expansion in the Company's business scale. In relative terms, the prepayments, deposits and other receivables of the Company occupied 6.63% of the total assets, basically equal to that in the beginning of the year.

Net inventories of the Company as at the end of the year increased by 70.64% as compared with that at the beginning of the year, mainly due to the remarkable increase in products and raw materials of the Company resulting from increased market orders. In relative terms, net inventories of the Company accounted for 20.37% of the total assets as at the end of the year, representing an increase of 5.69 percentage points from the beginning of the year.

The property, plant and equipment of the Company as at the end of the year increased by 12.16% as compared with that as at the beginning of the year. Such increase was mainly attributable to completion of the projects in which the Company invested and the increase in fixed assets as a result of upgrading of products and technologies by the Company. In relative terms, the net value of property, plant and equipment of the Company accounted for 19.15% of the total assets as at the end of the year, representing a decrease of 1.85 percentage points from the beginning of the year.

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2. Composition and changes of major liabilities of the Company during the reporting period

The composition and year-on-year changes of major liabilities of the Company as at 31 December 2014 are set out in the following table:

Item	2014 Amount (RMB'000)	2014 Percentage %	2013 Amount (RMB'000)	2013 Percentage %	Growth rate %
Total current liabilities	**85,452,990**	**86.28**	67,567,275	89.34	26.47
Of which: Interest-bearing bank and other borrowings	**3,175,766**	**3.21**	7,646,292	10.11	-58.47
Bills payable	**12,419,349**	**12.54**	13,675,679	18.08	-9.19
Trade payables	**38,235,379**	**38.60**	32,115,482	42.46	19.06
Other payables and accruals	**29,006,506**	**29.29**	12,625,265	16.69	129.75
Total non-current liabilities	**13,590,290**	**13.72**	8,065,819	10.66	68.49
Of which: Interest-bearing bank and other borrowings	**7,282,443**	**7.35**	3,568,511	4.72	104.08
Defined benefit obligations	**2,000,961**	**2.02**	1,323,890	1.75	51.14
Total liabilities	**99,043,280**	**100.00**	75,633,094	100.00	30.95

As of 31 December 2014, the current liabilities of the Company accounted for 86.28% of the total liabilities. The structure of the Company's liabilities was featured by a high proportion of current liabilities, which echoed with the high proportion of current assets.

The short-term interest-bearing bank and other borrowings of the Company were mainly used for accommodating the needs for liquidity during its operation. The short-term interest-bearing bank and other borrowings of the Company as at the end of the year decreased by 58.74% as compared with that as at the beginning of the year, primarily due to the repayment of loans due by the Company during the year. In relative terms, the proportion of short-term interest-bearing bank and other borrowings in the total liabilities of the Company was 3.21% as at the end of the year, representing a decrease of 6.90 percentage points as compared with that as at the beginning of the year.

Bills payables of the Company as at the end of the year decreased by 9.19% as compared with that as at the beginning of the year. Such decrease was mainly attributable to the acceptance of bills at maturity. In relative terms, the proportion of bills payable in total liabilities of the Company was 12.54% as at the end of the year, representing a decrease of 5.54 percentage points as compared with that as at the beginning of the year.

The trade payables of the Company were mainly outstanding amount payable to suppliers of raw materials and suppliers of machinery and equipment as well as construction payables. Trade payables of the Company as at the end of the year increased by 19.06% as compared with that as at the beginning of the year. Such increase was mainly attributable to the increase in the amount of procurement of the Company resulting from its expansion of business scale and increase in business volume. In relative terms, the proportion of trade payables in total liabilities of the Company was 38.60% as at the end of the year, representing a decrease of 3.86 percentage points as compared with that as at the beginning of the year.

Other payables and accruals of the Company as at the end of the year increased by 129.75% as compared with that as at the beginning of the year. Such increase was mainly attributable to the increase in prepayments of orders by customers as at the end of the year. In relative terms, the proportion of other payables and accruals in total liabilities of the Company was 29.29% as at the end of the year, representing an increase of 12.59 percentage points as compared with that as at the beginning of the year.

The long-term interest-bearing bank and other borrowings of the Company as at the end of the year increased by 104.08% as compared with that as at the beginning of the year, mainly attributable to the new low-rate loans in credit terms and bank loans for accomplishing the overseas acquisitions and mergers. In relative terms, the proportion of long-term interest-bearing bank and other borrowings in total liabilities of the Company was 7.35%, representing an increase of 2.63 percentage points as compared with that as at the beginning of the year.

As at the end of the year, the defined benefit obligations of the Company increased by 51.14% from last year, mainly attributable to the obligations defined by the newly-acquired subsidiary. In relative terms, ratio of the defined benefit obligations of the Company in total liabilities accounted for 2.02%, basically equal to that in the beginning of the year.

As at 31 December 2014, the financial leverage of the Company was 54.14%. Details are set out in Note 42 to the financial statements prepared under IFRSs in this annual report.

3. Assets measured at fair value

Unit: RMB'000

Item	Amount at the beginning of the period	Gain or loss from changes of fair value during the period	Accumulated changes in fair value recognized in equity	Provision for impairment for the period	Other changes during the period	Amount at the end of the period
Financial assets						
Of which: 1. Financial assets at fair value through profit or loss	10,989	–5,936	—	—	–5,047	6
of which: Derivative financial instruments	4,243	–5,936	—	—	1,699	6
2. Available-for-sale investment	1,369,928	—	27,634	—	3,846,817	5,244,379
Subtotal of financial assets	1,380,917	-5,936	27,634	—	3,841,770	5,244,385
Financial liabilities						
Sub-total of financial liabilities	—	—	—	—	—	—

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4. Financial assets and financial liabilities held in foreign currencies

The financial assets and financial liabilities held by the Company in foreign currencies are set out in the table

Unit: RMB'000

Item	Amount at the beginning of the period	Gain or loss from changes of fair value during the period	Accumulated changes in fair value recognized in equity	Provision for impairment for the period	Other changes during the period	Amount at the end of the period
Financial assets						
Of which: 1. Financial assets at fair value through profit or loss	6,746	–1,693	—	—	–5,047	6
of which: Derivative financial instruments	—	–1,693	—	—	1,699	6
2. Loans and other receivables	2,403,842	—	—	—	2,156,909	4,560,751
3. Available-for-sale investment	667,952	—	31,193	—	141,734	840,879
Sub-total of financial assets	3,078,540	–1,693	31,193	—	2,293,596	5,401,636
Financial liabilities						
Sub-total of financial liabilities	2,962,412	—	—	—	2,284,324	5,246,736

5. Significant capital expenses during the reporting period

The significant capital expenses of the Company in 2014 are set out in the following table:

Item	**2014 Amount *(RMB million)***	2013 Amount *(RMB million)*
Property, plant and equipment	**4,422**	4,403
Prepaid land lease payments	**405**	141
Total capital expenses	**4,827**	4,544

The capital expenses of the Company were mainly used for construction of property, plant and equipment, which strengthened its capabilities for operation and sustainable development and further enhanced its business scale and strength.

6. Particulars of pledge of assets

As at 31 December 2014, the following assets of the Company were pledged to secure bank loans:

Item	Amount *(RMB'000)*
Property, plant and equipment	51,612
Prepaid land lease payment	21,218
Time deposits and bank balances	2,748,993
Bills receivables	215,436
Total	3,037,259

7. Particulars of contingent liabilities

The Company had no contingent liabilities in 2014.

8. Particulars of operations of principal subsidiaries of the Company and major companies invested by the Company (figures below are prepared under the PRC GAAP)

Unit: RMB'000

Name of subsidiary	Principal business	Industry	Registered capital	Total assets as at the end of the year	Net assets attributable to owners of the Company as at the end of the year	Net assets as at the end of the year	Revenue	Profit from operation	Net profit attributable to owners of the parent
CSR Sifang	Research and development and manufacture of MUs, passenger carriages, rapid transit vehicles; repair of MUs and high-end passenger carriages	Rolling stock manufacturing industry	4,003,794	39,171,823	8,142,118	8,442,506	38,636,882	2,693,802	2,335,499
CSR ZELRI	Research and development and manufacture of railway electric powered motors and control technology and related electric equipment; research and development and manufacture of railway vehicle accessories	Rolling stock manufacturing industry	4,184,500	38,026,696	8,303,880	16,404,160	22,371,992	2,343,774	1,202,333
CSR Zhuzhou	Research and development and manufacture of railway electric locomotives, MUs and rapid transit vehicles	Rolling stock manufacturing industry	4,401,366	24,115,637	6,316,836	7,280,574	22,190,755	1,386,800	1,253,938
CSR Puzhen	Research and development, manufacture and refurbishment of rolling stock vehicles such as passenger carriages and MUs	Rolling stock manufacturing industry	1,759,840	13,768,285	2,071,236	3,212,651	10,826,696	355,205	215,635

Note: In 2014, revenue of CSR Sifang and CSR ZELRI increased by 78.62% and 37.19% respectively over the last year, mainly attributable to the increase in sales volume and the change in products types structure.

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Unit: RMB'000

Name of the investee company	Principal business scope	Net profit	Investment income from the investee company	Percentage of net profit of the Company (attributable to the parent) *(%)*
BST	Production of transit vehicles	560,044	280,022	5.27

BST was established on 27 November 1998 (registered address is No.86 East Jinhong Rd, Chengyang District, Qingdao, Shandong Province), which is a 50-50 joint venture established by CSR Sifang Ltd. and Bombardier. Its business scope includes: the design and production of high-end passenger carriages, ordinary passenger carriages, electric MUs, luxury double-decker passenger carriages, high-speed passenger carriages and rapid transit vehicles and bogies, sales of self-produced products and provision of relevant after-sales services. In 2014, BST recorded revenue, profit from operation and net profit amounting to RMB2.56 billion, RMB650 million, and RMB560 million, respectively.

9. Staff of the Comapny

The information in relation to staff of the Company is set out at the section headed "Director, Supervisor, Senior Management and Staff".

(IV) Analysis on core competitiveness

1. Continuously Growing Innovative Capability

The Company attaches great importance to the development and enhancement of its capability for self-innvoation. It takes innovation -driven approach as one of themes of the development strategies, to constantly deepen and broaden the construction of innovation system. CSR Industrial Research Institute (南車工業研究院), in independent operation, initially exerts its functions such as sci-tech resources integration, strategic development research, technological research and product platform construction; is the first to establish International Alliance of Rail Vehicle Industrial Design and China IGBT Technology Innovation and Industry Alliance. This is a landmark that the Company gradually transformed its innovation principle, integrated internal and external sci-tech resources and improved its capabilities of conducting self-innovation and taking a lead in innovation.

The first-ever high-speed train with permanent magnet drive in China was successfully rolled out; China's standard railway MUs got into trial production of the development period; coldproof MUs as well as double current system intercity MUs models were trial manufactured. In a word, MU portfolio was further improved. Again, the first-ever state-of-art 100% low floor energy-saving tram was developed successfully, enjoying great market potential. Besides, a batch of high-end exports such as South Africa's new electric locomotives, Argentina's electric MUs, Iraq's internal combustion MU trains and Malaysia's meter-gauge MUs was successfully rolled out, which strongly supported our expansion of the overseas market. And the results of successfully developing core parts such as high-speed train traction transmission system based on permanent magnet motor, new generation train network control system and traction transmisson control system and high-speed train gearbox, indeed reinforced the Company's core technical competence. The first-in-China (second-over-the world) 8 inch IGBT chip production line was sucessfully put into operation, breaking up the foreign technical and industrial monopoly. The large series of hi-tech innovation outcomes marked the continuous improvement of our self-innovation.

2. Steadily Enhancing Marketing Development Capability

The Company was actively adapted to new change in market environment. To be specific, it strengthened foreign visits and exchanges, got closer cooperation and communication with related parties such as various railway administrations, local governments and urban rail vehicles, established the competitiveness of mutual cooperation to boost the growth of the domestic market. Both coldproof MUs, mid and low-speed maglev trains had got breakthroughs, filling in the market blank.

Closely centered on localization, delivery capability and cost-performance ratio-three keypoints for overseas customers, the Company flexibly developed the well-targeted tactics, thus rapidly exploring the overseas market business. It signed new overseas orders amounting to US$3.76 billion, representing an increase of 68.6% compared with the last year. Accordingly, the Company took a lead in the industry, making a new record in history.

It constantly enhanced business capabilities such as customized R&D and design, consulting planning, financial support, supply chain management, online monitoring and maintenance, technical support and after-sales service, thus significantly improving the market development capability of the Company.

3. Significant Results of Lean Management System

The Company deepened the management improvement themed by lean management, thus promoting benefit increase; performed all-around budget management, effectively boosting cost management; strengthened quality loss management, deeply enabling the improvement of both the source and process, with remarkable enhancement in product quality. Facing enormous increase in product delivery, the Company witnessed a decrease of 0.15 percentage point in quality loss ratio compared with the last year. It boosted digitial corporate construction by the following measures: erected CSR information system infrastructure, initiated data center construction, positively promoted the ingrated application of various information platforms; constructed statistical data platform to improve data accuracy for supporting the corporate operation management and decision-making.

4. Remarkable Effect of Strategic Layout

The Company strove to build an international operation pattern of "being triple" (rolling stock, new industry and capital operation), highlighting the Company's governance and lean management, risk control and internal supervision, of information-based construction as strategies, steadily promoting the construction of strategic managemnt headquarters. Its global layout, interindustry development and optimal distribution of resources had improved effectively. The global market was broken down into 12 regional markets. It tried to jointly explore the international market to initially establish an autonomous, collaborative and globe-oriented international marketing network system. In addition, it continuously expanded the investment in overseas acquisitions and mergers, tried the rules for quantitative evaluation of overseas acquisitions and mergers in new industry and main business, which greatly supported the implementation of the acquisition and merger projects. It firmly boosted the local investments in Malaysia, Turkey, South Africa and other key markets, thus driving the deep market exploration and overseas industrial layout. Again, it put interbusiness collaboration int practice, made new ways in industrial chain joint mechanism for optimization of CSR's interests. CRH380A high-speed MU project was a successful example, bringing into full play the collaboration between the advantaged subsidiaries. In terms of time, space and function, it reshuffled the subsidiaries for optimal allocation of resources and effective exertion of market potential.

Report of Directors

5. Continuous Optimization of Core Talent Team

The Company made great strides in attracting high-grade and urgently sought talents by systematically implementing the "242 Advancement Program" (242登高計劃) for training of international talents and strongly carrying forward the implementation of "High-End Talents Take a Lead in the Internationalization of CSR" strategy (「高端人才引領國際化南車」戰略). On an ad hoc basis of itself, the Company went into the remuneration system reform scheme geared to the market practice, standardizing the salary management of corporate directors and managers at all levels with the optimization of core talent renumeration system. And it further improved the market-oriented personnel mechanism with advance in workers' vitality. The Company again actively probed into new pattern of international staff management, reinforced international talent performance management, and renumeration incentive and occupational development systems. For these reasons, now the Company has got the only two academicians in rolling stock of the Chinese Academy of Engineering, trained top-notch talents and champions with widespread influence, giving a robust support to the Company for the implementation of innovation-driven strategy.

6. Improving Brand Influence

The Company reinforced brand promotion planning, continuously improving the brand fame and influence. Centered on hotspots, it strengthened cooperation with the mainstream media in fully tapping the propagation effect of "high-speed railway diplomacy", market breakthrough, technical breakthrough and similar events, thus effectively promoting the dissemination of the brand. Besides, it further boosted the overseas publicity of its brand. To be specific, a trailer about CSR's high-speed trains was screened at New York's Times Square, which fully manifested the result of its own self-innovation and high-end, confident image; orchestrated the participation in Berlin's exhibition, expanding the overseas influence. Even so, it broke new ground in brand publicity by new media and forms, gaining very good responses. It initially erected the "Brand Value Management Model", which serves a guide to making brand management stronger in a more systematic and well-aimed manner. According to the latest evaluation result by the World Brand Lab in 2014, CSR's brand value has been up to RMB35.226 billion, being evaluated as having a worldwide influence.

(V) Analysis on Investment

1. General analysis of external investment in equity

In 2014, the Company's external investment in equity was RMB2.622 billion, representing an increase of RMB181 million over the same period last year. Particulars of the major investee companies are as follows:

Name of the investee	Amount *(RMB1,00 million)*	Principal business	Percentage in the equity of the investee *(%)*	Investment form
CSR Zhuzhou	2.17	Research and development and manufacture of railway electric locomotives, MUs and rapid transit vehicles	100	Capital increase
CSR Electric	1.95	Manufacture of traction motors, traction transformers, wind power generators and industrial specialised motors, etc.	100	Capital increase
CSR Luoyang	0.61	Locomotive repair, etc.	100	Capital increase
CSR Investment & Leasing	10	Investment and development of rolling stock projects; lease, repair, sales, technical service and consulting of railway locomotives	100	Capital increase
CSR ZELRI	0.8	Research and development and manufacture of railway electric powered motors and control technology and related electric equipment; research and development and manufacture of railway vehicle accessories	100	Capital increase
CSR (Hong Kong)	3.19	Trade, investment, funding, consulting, leasing, etc.	100	Capital increase
CSR Guiyang	5.5	Development, manufacturing, sales and repair of rail transport equipments; import and export of raw materials and auxiliary materials, instrumentation, mechanical equipment, parts and accessories and technologies needed for the operation of the Company	100	Newly established
CSR Industrial Research Institute (南車工業研究院有限公司)	2	Technical detection, consulting and service; engineering research and testing development; product design; computer system services, economic information consulting, etc.	100	Newly established
Total	26.22		100	

Report of Directors

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

Currency: HKD

Stock Code	Stock Short Name	Initial Investment Amount	Percentage in the Share Capital of the Company (%)	Invested Carrying Amount at the End of the Reporting Period	Gain or Loss Occurred during the Reporting Period	Changes in Owner's Equity during the Reporting Period	Accounting Item	Source of Equity Interest
00958.HK	HN Renewables	37,878,000	—	37,650,000	—	-228,000	Available-for-sale financial assets	Purchase
01829.HK	CMEC	314,011,650	—	341,965,800	8,659,834	27,954,150	Available-for-sale financial assets	Purchase
01599.HK	BUCG	156,168,974	—	205,210,300	—	49,041,326	Available-for-sale financial assets	Purchase
01317.HK	Maple Leaf Educational Systems	2,909,022	—	2,440,000	—	-469,022	Available-for-sale financial assets	Purchase
01478.HK	Q-Tech Corporation	31,281,075	—	24,420,000	—	-6,861,075	Available-for-sale financial assets	Purchase
06869.HK	YOFC	117,498,207	—	105,464,700	—	-12,033,507	Available-for-sale financial assets	Purchase
00816.HK	Huadian Fuxin	168,689,907	1.13	346,063,800	—	53,930,293	Available-for-sale financial assets	Purchase
01816.HK	CGN Power	2,246,411	—	2,696,000	—	449,589	Available-for-sale financial assets	Purchase
Total		830,683,246	/	1,065,910,600	8,659,834	111,783,754	/	/

Currency: RMB

Stock Code	Stock Short Name	Initial Investment Amount	Percentage in the Share Capital of the Company (%)	Invested Carrying Amount at the End of the Reporting Period	Gain or Loss Occurred during the Reporting Period	Changes in Owner's Equity during the Reporting Period	Accounting Item	Source of Equity Interest
601328	Bank of Communications	752,324	—	3,500,259	239,528	1,523,642	Available-for-sale financial assets	Purchase

Except Huadian Fuxin, the equity interests in the other companies held by the Company were all less than 1%.

Report of Directors

(2) Equity interests in non-listed financial enterprises held by the Company

Currency: RMB

Name of Institution	Initial Investment Amount (RMB)	Number of Shares Held (share)	Percentage in the Share Capital of the Company Invested (%)	Invested Carrying Amount at the End of the Reporting Period (RMB)	Gain or Loss Occurred during the Reporting Period (RMB)	Changes in Owner's Equity during the Reporting Period (RMB)	Accounting Item	Source of Equity Interest
Huarong Xiangjiang Bank	1,006,250	875,000	—	786,250	77,292	—	Available-for-sale financial assets	Purchase
Bank of Jiangsu	74,400	74,400	—	74,400	5,952	—	Available-for-sale financial assets	Purchase
Guangzhou Metro Small-Loan Co., Ltd. (廣州地鐵小額貸款有限公司)	30,000,000	—	10	30,900,638	900,638	—	Long-term equity investment — by equity method	Purchase
Donghai Securities	19,483,800	20,000,000	1.2	19,483,800	600,000	—	Available-for-sale financial assets	Purchase
Total	50,564,450	/	/	51,245,088	1,583,882	—	/	/

The equity interests in Huarong Xiangjiang Bank and Bank of Jiangsu held by the Company were both lower than 1%.

(3) Purchase of shares of other listed companies

Currency: HKD

Name of Shares	Number of Shares at the Beginning of the Period (Share)	Number of Shares Purchased during the Reporting Period (Share)	Amount of Capital Utilized (RMB)	Number of Shares Sold during the Reporting Period (Share)	Number of Shares at the End of the Period (Share)	Profit from Investment (RMB)
MCC	6,000,000	—	—	6,000,000	—	5,220,459
CGN Power	—	23,113,000	64,901,629	22,313,000	800,000	15,522,416
CMEC	71,759,000	—	—	14,189,000	57,570,000	8,659,834
CEB	19,000,000	—	—	19,000,000	—	1,991,609
BUCG	—	56,222,000	156,168,974	—	56,222,000	—
Maple Leaf Educational Systems	—	1,000,000	2,909,022	—	1,000,000	—
Q-Tech Corporation	—	11,100,000	31,281,075	—	11,100,000	—
YOFC	—	15,741,000	117,498,207	—	15,741,000	—
Huadian Fuxin	88,174,000	6,638,000	21,439,327	—	94,812,000	—

During the reporting period, the investment income from the disposal of new shares subscribed by the Company amounted to HK$31,394,318 in aggregate.

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

(1) Entrusted wealth management

Unit: Yuan Currency: RMB

Name of Partner	Entrusted Wealth Management Product	Entrusted Wealth Management Amount	Starting Date of Entrusted Wealth Management	Ending Date of Entrusted Wealth Management	Method of Reward Determination	Anticipated Income of Entrusted Wealth Management	Amount of Actually Retracted Principal of Entrusted Wealth Management	Actually Gained Income of Entrusted Wealth Management	Does the Entrusted Wealth Management Pass The Legal Procedure?	Total Amount Of Depreciation Reserves of Entrusted Wealth Management	Is Entrusted Wealth Management An Associated Transaction?	Whether Any Lawsuit Is Involved	Source of fund, whether it is raised funds	Related Party Relationship
Bank of Communications Beijing Branch Shijicheng Sub-branch	Non-breakeven floating profit	300,000,000	2014-12-31	2015-1-4	Payment of due interest and principal	126,667	–	–	Yes	–	No	No	No	
Agricultural Bank of China Beijing Branch Wanshou Road Sub-branch	Breakeven guaranteed profit	200,000,000	2014-12-31	2015-4-1	Payment of due interest and principal	2,123,333	–	–	Yes	–	No	No	No	
Shanghai Pudong Developement Bank Beijing Branch	Non-breakeven fixed profit	200,000,000	2014-12-30	2015-3-31	Payment of due interest and principal	2,275,000	–	–	Yes	–	No	No	No	
Huichengmen Sub-branch of Beijing Municipal Branch of Industrial and Commercial Bank of China	Non-breakeven floating profit	200,000,000	2014-12-31	2015-4-4	Payment of due interest and principal	2,454,444	–	–	Yes	–	No	No	No	
Bank of Changsha Zhuzhou Branch	Breakeven guaranteed profit	100,000,000	2014-11-28	2015-3-3	Payment of due interest and principal	1,184,247	–	–	Yes	–	No	No	No	
Bank of China Zhuzhou Branch	Breakeven guaranteed profit	100,000,000	2014-11-27	2015-1-5	Payment of due interest and principal	448,767	–	–	Yes	–	No	No	No	
China Guangfa Bank Zhuzhou Branch	Breakeven guaranteed profit	100,000,000	2014-11-28	2015-2-27	Payment of due interest and principal	1,196,712	–	–	Yes	–	No	No	No	
Bank of China Zhuzhou Branch	Breakeven guaranteed profit	200,000,000	2014-12-9	2015-1-8	Payment of due interest and principal	608,219	–	–	Yes	–	No	No	No	
Zhuzhou Hi-Tech Zone Subbranch of Agricultural Bank of China	Breakeven guaranteed profit	200,000,000	2014-12-9	2015-3-10	Payment of due interest and principal	2,071,233	–	–	Yes	–	No	No	No	
China Guangfa Bank Zhuzhou Branch	Breakeven guaranteed profit	200,000,000	2014-12-9	2015-6-9	Payment of due interest and principal	4,986,301	–	–	Yes	–	No	No	No	
Shanghai Pudong Development Bank Zhuzhou Branch	Breakeven guaranteed profit	200,000,000	2014-12-9	2015-6-8	Payment of due interest and principal	4,536,986	–	–	Yes	–	No	No	No	
Bank of Changsha Zhuzhou Branch	Breakeven guaranteed profit	100,000,000	2014-12-18	2015-1-22	Payment of due interest and principal	431,507	–	–	Yes	–	No	No	No	
Bank of China, Baoji East Zhongshan Road Dongcheng Subbranch	Breakeven guaranteed profit	100,000,000	2014-12-18	2015-3-19	Payment of due interest and principal	1,060,274	–	–	Yes	–	No	No	No	
Shanghai Pudong Development Bank Baoji Branch	Breakeven guaranteed profit	100,000,000	2014-12-19	2015-3-19	Payment of due interest and principal	1,084,932	–	–	Yes	–	No	No	No	
Bank of Changsha Zhuzhou Branch	Breakeven guaranteed profit	100,000,000	2014-12-30	2015-2-4	Payment of due interest and principal	443,836	–	–	Yes	–	No	No	No	
Shanghai Pudong Development Bank Zhuzhou Branch	Breakeven guaranteed profit	120,000,000	2014-12-31	2015-6-29	Payment of due interest and principal	2,722,192	–	–	Yes	–	No	No	No	
Bank of China, Baoji East Zhongshan Road Dongcheng Subbranch	Breakeven guaranteed profit	30,000,000	2014-12-30	2015-1-20	Payment of due interest and principal	98,211	–	–	Yes	–	No	No	No	
Bank of China, Baoji East Zhongshan Road Dongcheng Subbranch	Breakeven guaranteed profit	60,000,000	2014-12-30	2015-7-14	Payment of due interest and principal	1,401,534	–	–	Yes	–	No	No	No	
China Construction Bank (Zhuzhou Tianxin Sub-Branch)	Breakeven floating profit	200,000,000	2014-12-9	2015-3-13	Payment of due interest and principal	2,266,301	–	–	Yes	–	No	No	No	
CITIC Bank Branch in Zhuzhou	Breakeven floating profit	200,000,000	2014-12-12	2015-3-13	Payment of due interest and principal	2,193,973	–	–	Yes	–	No	No	No	
Everbright Bank Zhuzhou Branch	Breakeven floating profit	200,000,000	2014-12-23	2015-3-24	Payment of due interest and principal	2,443,288	–	–	Yes	–	No	No	No	
CITIC Bank Branch in Baoji	Breakeven floating profit	30,000,000	2014-12-19	2015-1-23	Payment of due interest and principal	117,945	–	–	Yes	–	No	No	No	
Industrial Bank Zhuzhou Branch	Breakeven floating profit	140,000,000	2014-12-31	2015-1-7	Payment of due interest and principal	93,973	–	–	Yes	–	No	No	No	
CITIC Bank Branch in Zhuzhou	Breakeven floating profit	300,000,000	2014-12-31	2015-1-7	Payment of due interest and principal	184,110	–	–	Yes	–	No	No	No	
Everbright Bank Zhuzhou Branch	Breakeven floating profit	200,000,000	2014-12-31	2015-3-31	Payment of due interest and principal	2,416,438	–	–	Yes	–	No	No	No	
CITIC Bank Branch in Baoji	Breakeven floating profit	20,000,000	2014-12-31	2015-2-9	Payment of due interest and principal	62,904	–	–	Yes	–	No	No	No	
Bank of Communications	Breakeven fixed profit	500,000,000	2014-11-21	2015-01-30	Guaranteed principal and 4.9% income	4,763,889	–	–	Yes	–	No	No	No	
Everbright Bank Zhuzhou Branch	Breakeven floating profit	60,000,000	2014-2-18	2014-7-18	Payment of due interest and principal	–	60,000,000	1,568,219	Yes	–	No	No	No	
Bank of Communications Zhuzhou Sub-branch	Breakeven floating profit	100,000,000	2014-1-2	2014-3-6	Payment of due interest and principal	–	100,000,000	983,836	Yes	–	No	No	No	
Industrial Bank Zhuzhou Sub-branch	Breakeven floating profit	300,000,000	2014-1-6	2014-4-8	Payment of due interest and principal	–	300,000,000	4,461,370	Yes	–	No	No	No	
China Guangfa Bank Zhuzhou Sub-branch	Breakeven floating profit	200,000,000	2014-4-28	2014-7-28	Payment of due interest and principal	–	200,000,000	2,493,151	Yes	–	No	No	No	
China Construction Bank (Tianxin Sub-branch)	Breakeven floating profit	200,000,000	2014-4-29	2014-7-30	Payment of due interest and principal	–	200,000,000	2,318,904	Yes	–	No	No	No	
Industrial Bank Zhuzhou Sub-branch	Breakeven guaranteed profit for master agreement	100,000,000	2014-4-29	2014-7-30	Payment of due interest and principal	–	100,000,000	1,361,096	Yes	–	No	No	No	
Shanghai Pudong Development Bank Zhuzhou Sub-branch	Breakeven guaranteed profit for master agreement	250,000,000	2014-4-29	2014-10-26	Payment of due interest and principal	–	250,000,000	6,694,521	Yes	–	No	No	No	
Industrial Bank Zhuzhou Sub-branch	Breakeven guaranteed profit for master agreement	350,000,000	2014-4-29	2014-10-30	Payment of due interest and principal	–	350,000,000	9,704,110	Yes	–	No	No	No	
Shanghai Pudong Development Bank Beijing Branch	Breakeven fixed profit	500,000,000	2014-5-8	2014-11-18	Payment of due interest and principal	–	500,000,000	13,068,493	Yes	–	No	No	No	
Total	/	6,460,000,000	/	/	/	43,797,216	2,060,000,000	42,653,700	/		/	/	/	

Accumulated Amount of Overdue Principal and Income not recovered (RMB)	Nil
Description of Entrusted Wealth Management	The details of the Company's entrusted wealth management during the reporting period are indicated at the bulletins on Shanghai Securities Exchange's and Hong Kong Stock Exchange's websites, dated 29 March, 28 November and 31 December 2014 respectively.

(2) Description of entrusted loan(s)

The Company did not have entrusted loan in the year.

(3) Description of other entrusted wealth management and derivatives

The description of the derivates of the Company is given in the note 42 to the financial statements prepared under IFRSs in the annual report.

3. Use of proceeds

In March 2012, the Company, pursuant to a non-public issue, issued 1,963,000,000 ordinary shares denominated in RMB (A shares). The issue price was RMB4.46 per share and the total proceeds amounted to RMB8,754,980,000. After netting off the issuing expenses, net proceeds raised amounted to RMB8,699,410,000, which was verified by the Capital Verification Report on Proceeds issued by Da Hua Certified Public Accountants Co., Ltd. (大華會計師事務所有限公司).

In 2014, the Company utilized the total proceeds that amounted to RMB2,166,580,000 all in proceeds investment projects. From the funding of the proceeds to 31 December 2014, the Company used the proceeds of RMB8,030,980,000 (with issue expense included), with RMB7,975,410,000 invested in the proceeds investment projects to supplement the current capital of RMB735,000,000. As at 31 December 2014, the not-yet-used proceeds balance came to RMB741,770,000 (including the profit from the residual proceeds' bank interest RMB17,770,000). The balance of proceeds raised from the non-public issuance of A shares of the Company amounted to RMB6,770,000.

As approved by the 27th meeting of the second session of the Board held on 26 April 2013 and the 12th meeting of the second session of the the Supervisory Committee, the Company utilized an aggregate of RMB3.4 billion that were currently not in use to temporarily supplement the working capital for a term of not more than one year. The Company had repaid RMB350 million, RMB60 million, RMB20 million, RMB115 million, RMB90 million, RMB20 million, RMB760 million and RMB1.985 billion (RMB3.4 billion in aggregate) on 28 June 2013, 14 August 2013, 22 October 2013, 26 December 2013, 9 January 2014, 23 January 2014, 31 March 2014 and 23 April 2014, respectively. As at 23 April 2014, such capital had been repaid in full.

As approved by the 32nd meeting of the second session of the Board held on 25 April 2014 and the 16th meeting of the second session of the Supervisory Committee, the Company utilised an aggregate of RMB1.9 billion that were not in use to temporarily supplement the working capital for a term of not more than one year. Such capital has been repaid with RMB935 million, RMB30 million and RMB200 million on 27 June, 19 August and 23 December 2014, respectively, with RMB735 million to be repaid.

4. Material projects not funded by proceeds

The Company did not have any material projects not funded by proceeds.

(VI) Special purpose vehicles controlled by the Company

The Company did not control any special purpose vehicles.

II. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY BY THE BOARD

(I) Industry competition landscape and development trend

In recent years, main economies and many developing countries of the world have announced their development plans for railways, in particular high-speed railways, further promoting the global market demand on rolling stocks. China has proposed the "One-Belt-One-Road" strategic idea, quickening the pace of Asia-Pasific interconnection with investment abroad of US$1.2 trillion, which gave the rail transit industry a big bonus in terms of policy. The arrivals of Silk Road Fund and Asian Infrastructure Investment Bank and New Development Bank BRICS will effectively fund the infrastructure construction of all countries in the Asia-Pacific region and even the rest of the world. Rail transit industry now faces an unprecedented market opportunity.

According to "The Twelfth Five-Year Plan of China Railways" (中國鐵路「十二五」規劃), by 2015, the national operating railway mileage will reach to over 120,000 km, including over 40,000 km of express railway lines, of which over 50% will be double lines and over 60% electrified lines. Major high-traffic lines are expected to incorporate separate lines for cargo and passenger transportations and major technologies and facilities are expected to be either up to or aligned with advanced international standards. With urbanisation and the development of regional economy, the need of regional passengers will grow rapidly. As at the end of 2014, the mileage of planned intercity railways by the various urban clusters exceeded 20,000 km. The completed mileage is expected to arrive at 12,000 km in 2016-2020. Great opportunities also beckon for the development of urban rail transportations industry. Urban rail transportation is an effective way for the alleviation of city traffic congestion, energy saving and emission reduction, as well as a focal point for new-type urbanisation and city cluster, which functions as the main body and backbone of the future city transportation system. As at the end of 2014, urban rail transportation construction planning in 37 domestic cities had been approved, which marked the advent of urban rail transportation's peak season.

By virtue of technology absorption and self-innovation, the Company reinforced its capabilities for the self-research as well as development and manufacturing of rolling stocks, thus carving a leading edge in product technical performance, speed of market response and operation scale throughout the world, with continuous improvement in industry influence and brand reputation. Along with industry development, market demand tends to maintain at a high level. Reformation in rail transit will change the way of order and competitive landscape of the domestic railway industry. With its strategy of internationalisation gathering pace, the Company's participation in the overseas market will increase, as will its direct competition with international players.

(II) Company development strategies

Opportunities and challenges ahead of the Company

1. Great development opportunities for the Company

Firstly, railway is the fundamental frontrunner industry of the national economy. The Chinese economy incessantly remained progressing whilst ensuring stability and thereby underpinned the development of the railway industry by provision of favourable external environment and supportive demand. Secondly, despite the fact that the Chinese railway development still lagged behind and brought restriction on national economic development, the potential of railway development was still considered to be great. Thirdly, the State encouraged the reform in the railway system and mechanism and carried out the reform on railway investment and financing. The State and various regions take the railway infrastructure construction as an important measure to adjust structure, facilitate the transformation and upgrading, expanding internal need and maintaining steady growth. Construction of urban comprehensive transportation system including inter-city MUs, subway and light-rail, etc. is an important part and means to strengthen the urban infrastructure construction and facilitate the new-type urbanisation, providing favourable market environment for the development of rolling stock industry. Fourthly, the State promulgated the "Twelfth Five-Year Development Plan of the High-end Equipment Manufacturing Industry"(《高端裝備製造業「十二五」發展規劃》) and "Twelfth Five-Year Project Plan of Scientific Development of the High-speed MUs" (《高速列車科技發展「十二五」專項規劃》) to increase advocacy and guidance to manufacture and technological development of rolling stocks, from a strategic point of view of the State, further indentified the development position, objectives and requirements of rolling stocks industry, provided strong support on financial and taxation policies, technological innovation and market, favourable for the further development of rolling stocks manufacturers. Fifthly, under the backdrop of energy crisis and urging environmental protection pressure, after preliminary technological development, the advantages of green, eco-friendly, energy saving, convenient and efficient railway were growing prominent, increasingly becoming both the mode of transport for development and the first choice of public travel encouraged by the government. The rolling stocks industry would maintain a high degree of activeness in development. Sixthly, with the acceleration of urbanisation in China, economic development in city clusters such as the Yangtze River Delta, the Pearl River Delta, Beijing, Tianjin, Hebei, Shandong Peninsula, Liaodong Peninsula, West Coast of the Straits and Changsha-Zhuzhou-Xiangtan, fostered economic development in the regions, further providing impetus to intercity and intra-city transit system transportation. Seventhly, the completion of passenger line network was beneficial to unleashing the operational capacity of the existing lines to a substantial extent, fostering development of rail freight transportation. Eighthly, the State Council promulgated the "Twelfth Five-Year Project Plan of Strategic New Industries of the State" (《「十二五」國家戰略性新興產業發展規劃》) with a view to advance the improvement of strategic new industries at a faster pace. The principal businesses of CSR, i.e. high-end rolling stock, complete wind power generating units, electricity-driven vehicles and polymer materials, fall respectively within the seven major strategic new industries, namely the industries of high-end equipment manufacturing, new energy, new energy automobiles and new materials. With an improving real economy, the capacity expansion and industrial upgrade in the automobile, electricity generation, petroleum and shipbuilding industries will lead to an increase in the demand for high quality machinery and electric products, which provides huge business potential for CSR's future development. Ninthly, as rolling stock industries in various countries around the world are either undergoing or to undergo a phase of renovation, the growing prominence of China's high speed trains on the global stage and the advantages in the increasingly advanced industrial chain in the domestic manufacturing sector will provide the rolling stock industry with a golden opportunity to go global and "kick start" international operation. Tenthly, due to the serious impact on many quality enterprises in the related overseas industries by the international financial crisis, coupled with appreciation in RMB currency, it created favourable conditions for CSR to conduct overseas acquisitions and mergers, as well as to hasten internationalisation of business and industry layout.

Report of Directors

2. Challenges ahead of the Company

Firstly, the State pushed forward railway reforms. Material changes have occurred to the development environment, the ways of order, structure of demand, development model, market layout and the layout of overhaul bases of the railway industry. Secondly, due to the lingering impact of the international financial instability on the overseas market expansion of rolling stock and the market expansion of the extended industries that utilise advantageous resources are affected, with increased viables in performance of contracts and foreign exchange rate. Thirdly, the dramatic increase in the operating number and mileage of express trains, heavy-duty trains, urban and inter-city railway vehicles has posed the secure and reliable operation of rolling stock to significant tests. Fourthly, the Company will be confronted with even more fierce international competition and increasing demands for "localisation" from overseas government, posing multiple challenges to the market competitiveness, technology innovation ability, corporate governance capability, risk prevention capability and the international operating capability of the Company.

In this year when the Twelfth Five-Year Plan will come to its end, the Company will expand investment in scientific research, establish and improve the internationally advanced industry development research, product R&D and production systems, with the aim of finally becoming a fairly world-famous brand. In the mid and long term, the Company will achieve the goal of being a comprehensive rolling stock solution provider with international competitive advantages, but also a large-scale comprehensive high-end manufacturing and service corporation with high-level industry-finance integration, interindustry development and internationalization. In this way, CSR will be a first-class company across the world as well as a globally famous brand.

The development planning of each business is as follows:

Locomotive: According to the developmental trend of railway locomotives, high-speed, heavy-hauling and high-powered locomotives will become the mainstream. The Company will focus on the development of electric locomotives, especially high-speed, heavy-hauling and high-powered electric products, aiming to keep the research and development, test and manufacturing of its electric locomotives to world-class standards. Through realigning its scale and product mix for higher performance, the Company expects to maintain its production capacity, technology and export edges on high-powered diesel, mining and shunting locomotives in domestic market to be aligned with international advanced standards.

MU: MU business is a stronghold in future development. The Company will incessantly develop new products based on principles of eco-friendliness, high speed intelligence, safety and reliability, so as to hold its leading presence in the research, development and manufacturing of MUs and to boost the rapid development of inter-city MUs as well.

Passenger carriage: The Company aims to maintain its existing manufacturing capacity and leading edge by promoting the development of passenger carriage vehicles with a speed of 200 km/h, optimising its product portfolio and improving its passenger carriage operation. It strives to improve the productivity and product quality through lean production.

Freight wagon: Leveraging its existing production capability, the Company proposes to enhance its technological innovation and level, so as to meet the demand for new products such as bigaxis overhauling freight wagons and express freight wagons arising from the vibrant development of heavy hauling and express freight wagons, and further cement its technological edge in China. In addition, it will promote resource integration to excel in the freight wagon industry with world-class capability in research and development, as well as the testing and manufacturing of freight wagons.

Rapid transit vehicle: In line with the market trend, the Company will speed up the improvement and optimisation of the industrial layout. Furthermore, it will step up its effort in increasing technology innovation and independent development. Based on various rapid transit vehicle technology platforms utilizing aluminum alloy, stainless steel and other bodywork technologies, as well as different speed-class bogie technologies, the Company aims to realise resource sharing through technology integration, in the hope of building a world-class research and development, testing and manufacturing base for rapid transit vehicles. It will attach great importance to the development of modern trams with low floor and single track. The Company will also engage in the maintenance of rapid transit vehicles and component refurbishment operations, aiming at establishing its new growth business.

New businesses: In the coming years, alongside the focus on the rolling stock industry and innovations listed above, the Company will draw upon its technical expertise and advantages accumulated over the years to develop extended industries based on the advantageous resources such as proprietary rolling stock technologies with a focus on new materials, new energy equipments, electric transmission and industrial automation, engineering machinery, high-power electric and electronic components and so forth. These will diversify the revenue stream and increase the business potentials of the Company for higher profitability and overall competitiveness.

(III) Business plan

2015 is the year of ending “Twelfth Five-Year” development plan, but also the year of preparing for the upcoming “Thirteenth Five-Year” Plan. In this year, the Company will persist in the strategic orientation to achieve the revenue growth more than 10% based on an objective understanding of 2015 macro-economic trend. And it will also, under the business philosophy of “lean production, high efficiency, high-quality and integration”, improve quality and efficiency in an all-round way for upgrading, accelerate international operation and interindustry development, and incessantly strengthen innovation drive, collaborative integration and benefit-making management. Besides, it will endeavour to improve its world-class international competitiveness, driver for reform and innovation, market exploration capability with encouraging results through deep product marketing, precise management capability of intensified enforcement. Finally, it can arrive at scientific, collaborative and sustainable development.

(IV) Capital requirement for the Company to maintain current businesses and complete the construction-in-progress investment projects

In 2015, in view of its development strategy and production and operating needs, the Company plans to invest RMB4.86 billion in fixed assets, mainly in projects of strategic importance to its development, such as extended industries that utilise proprietary rolling stock technologies, international operation projects, product R&D, test and verification projects. The Company will be mainly financed by methods such as refinancing proceeds, debt financing instruments, internal resources and bank borrowings.

(V) Possible risks and counter-measures

1. Risk on internal integration

In 2015, the Company will face the risk of being incorporated if CSR and CNR are merged. Both CSR and CNR have businesses in different areas as well as many subsidiaries. If so, the merger will add to the complexity of the internal organizational structure. Even the integration of purchase, production, sales and other businesses also need a period of time. Besides, the new corporation after merger will need new business and management structures for personnel integration. So, ineffective integration in purchase, production, sales, personnel, management and other aspects upon the merger will affect the whole effect of their collaboration, but even make it impossible to accomplish the expected objectives.

Countermeasures: first, establish and improve the Company's legal person governance structure and standarize the corporate operation in strict accordance with state laws, regulations and regulatory authority's normative requirements such as "The Company Law", "Securites Law" and "Code of Corporate Governance for Listed Companies"; second, establish scientific, streamlined, efficient, transparent and balanced organizations and internal control systems to form a high-efficiency working mechanism, by defining responsibilities and authorities; third, on the basis of corporate development strategies, work out integration planning to define the obejctives, tasks and implementation schemes for business integration in all phases for effective performance of the integration planning.

2. Risks on macro policy

Rail transit industry, to which CSR belong, is one of industries underlying the national economy. Its development is subject to major influences by the state macro-economic regulation policy, industry policy and industry planning. Though now the State encourages the development of rail transit industry, the Company's product demand may be adversely affected by any change in the State's future industry policy. Under the pressing situation, failing to adapt itself to the new environment and making required adjustments would put the Company at great business risk.

Countermeasures: Proactive communication with related governmental authorities is the major channel. The Company will also collect information concerning national politics, economy, industry, law, environment, etc; and conduct research and prediction on the market trend, adjust the corporate planning in a timely manner. In addition, it will take countermeasures such as establishing and developing the diversified industrial and product structures related to rolling stocks and opening up new business modes in order to tackle with risks.

3. Risks on market competitions

Risks mainly lie in domestic and overseas markets. In the domestic market, China's rail transit manufacturing will increase the market openness. As the industry access gets further open and foreign manufactures conduct parts permeation by means of technology export, the Company will be confronted with increasing competition pressure due to leading foreign rolling stock manufacturers. On the other hand, in international market, the international economy is yet in complex adjustment, with slow economic recovery and various forms of rising protectionism. In a word, the international landscape will have more uncertain factors beyond control. With the quickened pace of going global, the Company will act a more highly role in participating in the overseas market and have to face direct, frequent business competitions. If unable to tackle with the competitions, it will bring about a great challenge to the Company's international operation, thusing affecting the business growth. As a result, profitability and resulting market share will go downhill.

Countermeasures: First, the Company will gather information relating to domestic and international politics, economics, laws, natural environment and competitors timely and effectively, conduct market research for accurate understanding of the changes in domestic and international market demand, and respond actively to the changes in market demand; second, the Company will double effort in scientific research investment, and incessantly improve innovation capability and core competitive capability, and endeavour to maintain the leadership in market competition across the industry to increase its core competitive edge and market share.

4. Risks with exchange rates

As operational activities such as the export of the products of the Company and overseas investment and acquisition are quickening the pace under the quickened international operation, the Company may be subject to various risks caused by the fluctuation of exchange rates, such as the foreign currency exchange risk caused by the difference between the exchange rates on the day of transaction and the day of settlement during the transaction carried in foreign currencies and the risk of changes in value of the overseas subsidiaries due to the fluctuation of exchange rate.

Countermeasures: Establish exchange rate risk prevention mechanism in each link of production and operation, pay close attention to changes of domestic and overseas financial markets and respond to risks with the adoption of financial leverage instruments. Enhance the awareness of risk prevention of relevant staff of the Company, transform operation principle and take initiatives to respond to various exchange rate risks.

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

(I) Formulation, execution or adjustment of cash dividend policy

In 2012, the Company amended and refined the Articles of Association, formulated Shareholders' Return Plan for the Next Three Years (from 2012 to 2014) of the Company ("Shareholders' Return Plan") to define decision-making and distribution policy, adjustment procedures and mechanism of cash dividend, define the matters to be given opinions by independent directors and procedures, as well as safeguard the legal rights of medium and small investors. In 2014, the Company did not adjust the profit distribution policy.

The Company held the 9th meeting of the third session of the Board, which considered and approved the Proposal in Relation to the 2014 Profit Distribution Plan of the Company. (1) to smoothly promote the stock exchange merger with CNR, the Company's Board has presented a suggestion that the Company does not distribute the 2014 stock divdends by either cash or stock before completion of the merger; (2) after this merger, the new company will take into account the whole situation and make arrangement on distribution of the 2014 profit, according to factors such as CSR's and CNR's net profits in 2014, cashflows, relevant laws, regulations as well as provisions of the Articles Of Association of the new company.

(II) Plans or disposals for profit distributions and plans or disposals for transfer of capital reserves to share capital in the recent three years (including the reporting period)

Unit: RMB0'000 Currency: RMB

Year of distribution	Amount of distribution per 10 shares *(tax inclusive)*	Amount of cash dividends *(tax inclusive)*	Net profit attributable to the shareholders of the Company in the consolidated financial statements during the year of distribution	Percentage of net profit attributable to the shareholders of the Company in the consolidated financial statements *(%)*
2014	Retained profits	—	—	—
2013	0.9	124,227	416,496	30
2012	0.9	124,227	403,127	31

IV. TAX AND TAX RELIEF

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation rules which became effective as of 1 January 2008, and the Circular on Issues Relating to the Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H Shares issued by the State Administration of Taxation (Guo Shui Han [2008] No. 897), enterprise income tax shall be withheld at a rate of 10% when the Company pays final dividends to non-resident enterprises whose names appear on the register of H shareholders of the Company. The enterprise income tax shall be withheld for the dividends of any H shares under the names of non-individual shareholders (any H shares of the Company registered in the name of HKSCC Nominees Limited, other nominees and trustees, or other organisations and institutions, shall be deemed as shares held by non-resident enterprise shareholders).

According to Guo Shui Han [2011] No. 348 issued by the State Administration of Taxation, the Company shall withhold and pay the individual income tax for dividend payable to the individual H shareholders. The individual H shareholders are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements between the countries where they are residents and China or the tax arrangements between mainland China and Hong Kong (Macau). If the individual H shareholders are Hong Kong or Macau residents or residents of the countries having an agreed dividend tax rate of 10% with China, the Company shall withhold and pay the individual income tax at a rate of 10%. Should the individual H shareholders be residents of the countries having an agreed dividend tax rate of less than 10% with China, the Company would apply for entitlement of the relevant agreed preferential tax treatment on their behalf in accordance with the Notice of the State Administration of Taxation in Relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發＜非居民享受稅收協議待遇管理辦法（試行）＞的通知》(國稅發[2009]124號)). Should the individual H shareholders be residents of the countries having an agreed dividend tax rate exceeding 10% but lower than 20% with China, the Company shall withhold and pay the individual income tax at the actual agreed rate. In case the individual H shareholders are residents of the countries having not entered into any tax agreement with China, or having an agreed dividend tax rate with China of 20% or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Shareholders of the Company are subject to tax and/or enjoy tax relief in accordance with the aforementioned regulations.

V. CONNECTED TRANSACTIONS

(I) Non-exempt connected transactions

1. Asset Swap Transaction with South Huiton

On 28 November 2014, the Company entered into an asset swap agreement (the "Asset Swap Agreement") with South Huiton, CSR Guiyang and CSR ZELRI, pursuant to which the parties undertook the asset swap transaction (the "Asset Swap Transaction"). South Huiton shall swap the total assets and liabilities attributable to its railway freight wagon business as well as the 100% equity interest of Huiton Logistics, the 60.80% equity interest of Shenfa Steel Structure and the 51% equity interest of Qingdao Huiyitong all held by South Huiton for the 36.79% equity interest of Times Wharton acquired by CSR Guiyang. The difference in consideration shall be topped up by CSR Guiyang in cash.

CSRG is the controlling shareholder holding directly and indirectly approximately 57.15% equity interest of the Company, and thus is a connected person of the Company under the Hong Kong Listing Rules. CSRG is also the controlling shareholder holding 42.64% equity interest of South Huiton. Both CSR Guiyang and CSR ZELRI are the wholly-owned subsidiaries of the Company. Therefore, the Asset Swap Transaction constitutes the connected transaction of the Company as defined under Chapter 14A of the Hong Kong Listing Rules.

The Asset Swap Transaction involves both an acquisition and a disposal by the Company. Pursuant to the relevant requirements of the Hong Kong Listing Rules, the Company classifies the Asset Swap Transaction by reference to the larger of the acquisition or disposal in terms of size test percentage ratios, and complies with the applicable requirements of the Hong Kong Listing Rules based on such classification. As the highest applicable size test percentage ratio in respect of the Asset Swap Transaction exceeds 0.1% but is less than 5%, the Asset Swap Transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The railway freight wagon business of South Huiton has competition with the business of the Company. The Asset Swap Transaction could solve the competition issues between South Huiton and the Company and is beneficial to the Company for its integration of the freight wagon business, with no compromise to the interests of the Company and its minority shareholders. It will not have significant impact on the ability of sustainable operation, profit or loss or assets conditions of the Company.

For details in relation to the transaction, please refer to the connected transaction announcement on asset swap transaction with South Huiton of the Company dated 28 November 2014 published on the website of Hong Kong Stock Exchange.

Report of Directors

(II) Non-exempt continuing connected transactions

1. Continuing Connected Transactions under the Mutual Product Supply Framework Agreement between the Company and CSRG

The annual caps for the Company's continuing connected transactions with CSRG under the Mutual Product Supply Framework Agreement and the actual transaction amounts during the reporting period are set out as follows:

Currency: RMB Unit: million

No.	Connected transaction	2014 annual cap	Actual transaction amount in 2014
1	Aggregate procurement value under the Mutual Product Supply Framework Agreement with CSRG	1,000.00	277.12
2	Aggregate sales value under the Mutual Product Supply Framework Agreement with CSRG	800.00	198.99

CSRG is a substantial shareholder and promoter of the Company. After the restructuring, CSRG retained part of assets and businesses to provide certain ancillary products for the core business of the Company. The Company and certain of its associates also provide raw materials and accessories for CSRG or its associates to be processed into rail transit facilities components, while CSRG or its associates sell back all or part of such components to the Company for use in its core business. The Company entered into the Mutual Product Supply Framework Agreement (as supplemented by a supplementary agreement dated 15 July 2008) with CSRG on 10 January 2008, to regulate such mutual supply of products between them. The agreement took effect on 1 January 2008 and expired on 31 December 2010. The Company published an announcement dated 28 December 2010 in relation to the renewal of the Mutual Product Supply Framework Agreement with CSRG and for the determination of annual caps of the transactions for years from 2011 to 2013. The renewed agreement officially came into effect on 1 January 2011 and expired on 31 December 2013. The Company published an announcement dated 26 October 2013 in relation to the renewal of the Product Mutual Provision Framework Agreement with CSRG on the same major terms and conditions and for the determination of the annual caps of the transactions for years from 2014 to 2016. The renewed Product Mutual Provision Framework Agreement officially came into effect on 1 January 2014, the main contents of which include that the sale and purchase of products by the parties shall be made on terms not less favourable than those offered to, where appropriate, independent third parties under comparable conditions; otherwise, either party is entitled to engage other supplier(s) for the products required.

2. Continuing Connected Transactions under the Financial Services Framework Agreement between the Company and CSRG

The Financial Services Framework Agreement entered into between CSR Finance and CSRG on 28 March 2013 was expected to increase the efficiency of fund utilization of the Company, reduce settlement expenses, lower interest costs and obtain fund assistance, which is in line with the Company's operation and development needs. Pursuant to the agreement, CSR Finance has agreed to provide deposit services, lending services and miscellaneous financial services (including financial and financing consultation services) to CSRG in accordance with the terms and conditions set out in the agreement. The agreement expired on 31 December 2013. The Company published an announcement dated 26 October 2013 in relation to the renewal of the Financial Services Framework Agreement between CSR Finance and CSRG on the same major terms and conditions and the determination of the relevant caps of the transactions from 2014 to 2016. The renewed agreement officially came into effect on 1 January 2014.

Pursuant to the Financial Services Framework Agreement renewed on 25 October 2013 between CSR Finance and CSRG, the maximum daily lending balance (including accrued interests) offered to CSRG by CSR Finance shall not exceed RMB1 billion. During the reporting period, the maximum daily lending balance (including accrued interests) offered by CSR Finance to CSRG did not exceed the aforementioned cap of RMB1 billion.

In respect of the aforesaid continuing connected transactions in paragraph 1 and 2 between the Company and CSRG in 2013, each of the applicable percentage ratios (as defined in the Hong Kong Listing Rules, other than the profit ratio) is below 5%. Therefore, the aforesaid continuing connected transactions are exempted from the independent shareholders' approval requirements, and are only subject to the reporting, annual review and announcement requirements under the Hong Kong Listing Rules. The Company has complied with the disclosure requirements of connected transactions in accordance with Chapter 14A of the Hong Kong Listing Rules.

The independent non-executive Directors of the Company have confirmed to the Board that they have reviewed the non-exempt continuing connected transactions and are of the opinion that such transactions are:

- in the ordinary and usual course of business of the Group;
- conducted on normal commercial terms or more favorable terms, as far as the Company is concerned; and
- conducted on the terms of the relevant transaction agreements which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the aforesaid continuing connected transactions and issued a letter to the Board, stating that nothing has come to its attention that may cause it to believe that such transactions:

- have not been approved by the Board;
- were not, in all material respects, in accordance with the pricing policy of the Group if the transactions involved the provision of goods or services by the Group;
- were not entered into, in all material respects, in accordance with the relevant agreements governing these transactions;
- the actual annual amount for such transactions have exceeded the relevant caps as disclosed in the announcement of the Company dated 26 October 2013.

Save as the above, pursuant to the Hong Kong Listing Rules, certain related party transactions in Note 41 to the consolidated financial statements of the Company also constitute continuing connected transactions (as defined in Chapter 14A of the Hong Kong Listing Rules). Such related party transactions have complied with the disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules.

(III) Non-Competition Agreement

CSRG confirmed that it did not violate its undertakings under the Non-Competition Agreement entered into with the Company on 10 January 2008 (as supplemented by a supplementary agreement dated 15 July 2008) in 2014. The independent non-executive Directors of the Company also reviewed the compliance of CSRG with the Non-Competition Agreement and considered that CSRG did not violate the provisions under the agreement in 2014.

VI. OTHER DISCLOSEABLE MATTERS

(I) Principal business

The Company is mainly engaged in research and development, manufacturing, sales, refurbishment and leasing of locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key components as well as other businesses that utilize proprietary rolling stock technologies.

(II) Major customers and suppliers

Details of the Company's major customers and suppliers are set out in the relevant sections of the "Discussion and Analysis of the Board on the Operations of the Company during the Reporting Period" under the "Report of Directors" in this annual report.

(III) Reserves

Details of the changes in reserves of the Company are set out in the Consolidated Statement of Changes in Equity prepared under IFRSs in this annual report.

(IV) Reserves available for distribution

Details of the Company's reserves available for distribution are set out in Note 37 to the financial statements prepared under IFRSs in this annual report.

(V) Share capital

Details of the Company's share capital are set out in the relevant sections under "Changes in Shares and Particulars about Shareholders" in this annual report.

(VI) Bank loans and other loans

Details of the Company's bank loans and other loans as at 31 December 2014 are set out in Note 32 to the financial statements prepared under IFRSs in this annual report.

(VII) Property, plant and equipment

Details of changes in the Company's property, plant and equipment for 2014 are set out in Note 14 to the financial statements prepared under IFRSs in this annual report.

(VIII) Donations

The Company's charitable and other donations amounted to approximately RMB1,258,000 during the reporting period.

(IX) Service contracts of Directors and Supervisors

None of the Directors or the Supervisors of the Company entered into a service contract with the Company which is not determinable within one year without payment of compensation other than normal statutory compensation.

(X) Directors and Supervisors' interests in contracts

The Company did not enter into any contract of significance in which Director(s) or Supervisor(s) of the Company held, either directly or indirectly, any material interests for the year ended 31 December 2014.

(XI) Loans provided to Directors, Supervisors and Senior Management of the Company

The Company did not provide Directors, Supervisors or other senior management members with any loans or quasi loans.

(XII) Directors' interest in businesses competing with the Company

None of the Directors of the Company is interested in any business which directly or indirectly competes or may compete with the Company.

(XIII) Financial, business or family relationship among members of the Board

None of the members of the Board of the Company had any financial, business, family or other material relationship with each other.

(XIV) 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 or existed during the year.

(XV) Pre-emptive rights

There are no provisions regarding pre-emptive rights under the Articles of Association and the laws of the PRC which oblige the Company to offer new shares to its existing shareholders on a pro rata basis.

(XVI) Employee retirement plan

Details of the Company's employee retirement plan are set out in Note 33 to the financial statements prepared under IFRSs in this annual report.

Directors, Supervisors, Senior Management and Staff

As at the latest practicable date prior to the printing of this annual report, members of the Board include

Zheng Changhong

Chairman, Executive Director

Liu Hualong

Executive Director, President

Fu Jianguo

Executive Director

Liu Zhiyong

Non-executive Director

Li Guo'an

Independent Non-executive Director

Wu Zhuo

Independent Non-executive Director

Chan Ka Keung, Peter

Independent Non-executive Director

I. SHAREHOLDING CHANGES AND REMUNERATION

(I) Shareholding Changes and Remuneration of Current and Retired Directors, Supervisors and Senior Management During the Reporting Period

Unit:0'000 Currency: RMB

Name	Position	Gender	Age	Commencement of term of office	Expiration of term of office	Number of shares held at the beginning of the year *(share)*	Number of shares held at the end of the year *(share)*	Changes in number of shares for the year	Reason of the change	Remuneration received from the Company during the reporting period	Welfare expenses including basic pension insurance	Total remuneration received from the Company during the reporting period (before tax)	Total remuneration received from shareholders during the reporting period
Zheng Changhong	Chairman, Executive Director	Male	59	2014.06.16	–	60,000	60,000	–	–	90.92	8.74	99.66	–
Liu Hualong	Executive Director, President	Male	52	2014.06.16	–	50,000	50,000	–	–	90.92	8.74	99.66	–
Fu Jianguo	Executive Director,	Male	51	2014.06.16	–	50,000	50,000	–	–	80.51	8.74	89.25	–
	Former Vice President			2011.04.26	2014.06.16								
Liu Zhiyong	Non-executive Director	Male	57	2014.06.16	–	–	–	–	–	–	–	–	–
Li Guo'an	Independent Non-executive Director	Male	62	2014.06.16	–	–	–	–	–	8.93	–	8.93	–
Wu Zhuo	Independent Non-executive Director	Male	64	2014.06.16	–	–	–	–	–	8.73	–	8.73	–
Chan Ka Keung, Peter	Independent Non-executive Director	Male	63	2014.06.16	–	–	–	–	–	8.73	–	8.73	–
Chen Dayang	Former Executive Director	Male	51	2012.11.12	2014.06.16	–	–	–	–	81.83	8.74	90.57	–
Yu Jianlong	Former Independent Non-executive Director	Male	49	2014.06.16	2014.08.04	–	–	–	–	–	–	–	–
Zhao Jibin	Former Independent Non-executive Director	Male	62	2011.04.26	2014.06.16	30,000	30,000	–	–	6.88	–	6.88	–
Yang Yuzhong	Former Independent Non-executive Director	Male	70	2011.04.26	2014.06.16	30,000	30,000	–	–	7.48	–	7.48	–
Chen Yongkuan	Former Independent Non-executive Director	Male	68	2011.04.26	2014.06.16	34,100	34,100	–	–	6.48	–	6.48	–
Dai Deming	Former Independent Non-executive Director	Male	52	2011.04.26	2014.06.16	30,000	30,000	–	–	6.88	–	6.88	–
Tsoi, David	Former Independent Non-executive Director	Male	67	2011.04.26	2014.06.16	50,000	50,000	–	–	5.86	–	5.86	–
Wang Yan	Chairman of Supervisory Committee	Male	59	2014.06.16	–	30,000	30,000	–	–	–	–	–	81.41
Sun Ke	Supervisor	Male	59	2014.06.16	–	–	–	–	–	62.70	8.74	71.44	–
Qiu Wei	Employee Representative Supervisor	Male	55	2014.06.16	–	30,000	30,000	–	–	56.32	8.74	65.06	–
Zhang Jun	Vice President	Male	59	2014.06.16	–	50,000	50,000	–	–	80.51	8.74	89.25	–
Zhan Yanjing	Vice President, Chief Financial Officer	Female	51	2014.06.16	–	50,000	50,000	–	–	80.51	8.74	89.25	–
Wang Jun	Vice President	Male	51	2014.06.16	–	–	–	–	–	79.10	8.74	87.84	–
Lou Qiliang	Vice President	Male	51	2014.06.16	–	–	–	–	–	79.10	8.74	87.84	–
Xu Zongxiang	Vice President	Male	51	2014.06.16	–	–	–	–	–	79.10	8.74	87.84	–
Zhang Xinning	Chief Engineer	Male	50	2014.06.16	–	–	–	–	–	69.28	8.74	78.02	–
Shao Renqiang	Secretary to the Board, Chief Economist	Male	50	2014.06.16	–	30,000	30,000	–	–	69.46	8.74	78.20	–
Total						524,100	524,100			1,060.23	113.62	1,173.85	81.41

(II) Major Working Experience of the Current Directors, Supervisors and Senior Management for the Recent Five Years

Directors

1 **Zheng Changhong**, aged 59, serves as the Chairman of the Board, executive Director and Party secretary of the Company, and general manager and deputy Party secretary of CSRG. Mr. Zheng had many years of senior managerial experience in manufacturing enterprises of rolling stock. Mr. Zheng possesses in-depth knowledge and extensive management experience in the industry. Mr. Zheng worked as deputy managing director of Beijing Feb. 7th Locomotive Works under the Ministry of Railways, director of the Head Office, a director and the deputy general manager of LORIC, CSRG's director and deputy general manager and Deputy General Manager and Party secretary. Since December 2007 to October 2012, he served as the vice chairman, the executive Director and president as well as the deputy Party secretary of the Company. Since October 2012, he has become the chairman, the executive Director and the Party secretary of the Company. Mr. Zheng had consecutively graduated from the Lanzhou Railway University majoring in electronics technology and Northern Jiaotong University majoring in Accounting, and obtained a doctorate in Traffic and Transportation Planning and Management and a doctorate in engineering from Beijing Jiaotong University. He obtained the Senior Professional Manager qualification (a talent with unique contribution) awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a professor-level senior engineer and a member of the World Academy of Productivity Science (世界生產力科學院).

2 **Liu Hualong**, aged 52, serves as an executive Director, president and the deputy Party secretary of the Company, as well as the Party secretary of CSRG. Mr. Liu has in-depth knowledge in the business and extensive management experience in the industry which the Company specializes in. Mr. Liu served as the chairman, general manager and deputy Party secretary of CNRG Qiqihar Railway Rolling Stock (Group) Co. Ltd., the deputy general manager, deputy Party secretary and secretary of the disciplinary committee and chairman of the labor union of CSRG. From December 2007 to September 2011, he was an executive director, deputy Party secretary and the secretary of the disciplinary committee of the Company. From September 2011 to October 2012, he served as the executive Director, the vice president and a standing member of the Party Committee of the Company. Since October 2012, he has become an executive director, the president and the deputy Party secretary of the Company. Mr. Liu graduated from Dalian Railway Institute majoring in welding technology and equipment. He has also obtained an MBA for senior management from Tsinghua University. He obtained the senior professional manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a professor-level senior engineer.

3 **Fu Jianguo**, aged 51, serves as an executive Director and a standing member of the Party Committee of the Company and a standing member of the Party Committee of CSRG. Mr. Fu has extensive operational and management experience in the industry which the Company specializes in. Mr. Fu served as the deputy head of Tangshan Locomotives & Rolling Stock Works (唐山機車車輛廠), head and deputy Party secretary of CSR Shijiazhuang Rolling Stock Works and deputy general manager of CSRG. From December 2007 to June 2014, Mr. Fu served as vice president and a standing member of the Party Committee of the Company. Since June 2014, He has served as an executive Director and a standing member of the Party Committee of the Company. Mr. Fu graduated from Dalian Railway Institute majoring in rolling stock. He holds a bachelor's degree and obtained his MBA from China Europe International Business School. He possesses the senior professional manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a professor-level senior engineer.

4 **Liu Zhiyong**, aged 57, serves as a non-executive Director of the Company and also a professional external director for state-owned enterprises and of China National Coal Group Corporation. Mr. Liu previously served as the deputy division chief, chief and deputy director of Third Secretary Bureau of the General Office of the State Council (國務院辦公廳秘書三局), the deputy Party secretary of Liuzhou, Guangxi (seconded for two years), the chief officer and deputy director of Third Secretary Bureau of the General Office of the State Council (國務院辦公廳秘書三局), inspector and deputy director of First Secretary Bureau of the General Office of the State Council (responsible for day-to-day business), executive deputy secretary of the Party Committee of the General Office of the State Council. He has served as a professional external director for state-owned enterprises since August 2013, a non-executive Director of the Company since June 2014 and a professional external director of China National Coal Group Corporation since August 2014. Mr. Liu graduated from Nanjing Political College majoring in politics and economics. He holds a bachelor's degree in economics.

5 **Li Guo'an,** Aged 62, serves as an independent non-executive Director of the Company and an external director of Wuhan Iron and Steel (Group) Corporation. Mr. Li once served as the deputy Party secretary, the deputy Party secretary and concurrently the secretary of the Party Discipline Inspection Committee of Wuhan Ship Development & Design Institute of the No. 7 Research Institute of China State Shipbuilding Corporation (中國船舶工業總公司第七研究院), assistant to the dean and concurrently the director of the Science and Technology Division, assistant dean, member of the Party Group, assistant dean and deputy secretary of the Party Group of the No. 7 Research Institute of China Shipbuilding Industry Corporation (中國船舶重工集團公司第七研究院). From October 2001 to May 2012, he served as the deputy general manager and member of the Party Group of China Shipbuilding Industry Corporation, during which he concurrently served as the chairman of China Ship Design & Research Center Co., Ltd. and a director of China Shipbuilding Industry Company Limited. From May 2012 to March 2014, Mr. Li served as a director of China Shipbuilding Industry Company Limited. He has served as an independent non-executive Director of the Company since June 2014 and an external director of Wuhan Iron and Steel (Group) Corporation since September 2014. Mr. Li graduated from Huazhong University of Science and Technology majoring in naval architecture and ocean engineering. He holds a bachelor's degree and is a research fellow.

6 **Wu Zhuo**, aged 64, serves as an independent non-executive Director of the Company and an external director of Wuhan Iron and Steel (Group) Corporation. Mr. Wu served as the deputy chief of System Engineering Bureau of the Ministry of Aerospace Industry of China. He held several positions in China Aviation Industry Corporation (中國航天工業總公司) such as division chief, deputy manager of Research & Production Department, deputy manager of Human Resources & Training Department, deputy director of Human Resources & Training Bureau and the Head of General Office. From June 1999 to November 2010, Mr. Wu served as a deputy general manager as well as a member of the Party Group of China Aerospace Science and Technology Corporation, and concurrently the head of the Party Disciplinary Inspection Group of China Aerospace Science and Technology Corporation and the chairman of the board of directors of China Aerospace International Holdings Limited. From November 2010 to March 2014, Mr. Wu served as vice chairman of the board of directors of China Aerospace International Holdings Limited. He has served as an independent non-executive Director of the Company since June 2014 and an external director of Wuhan Iron and Steel (Group) Corporation since September 2014. Mr. Wu graduated from Hunan Changsha Technical College majoring in overall design of spacecrafts and holds a bachelor's degree. He is a research fellow and obtained the special government allowance awarded by the State Council.

7 **Chan Ka Keung, Peter**, aged 63, serves as an independent non-executive Director of the Company and of Metallurgical Corporation of China Ltd.. Mr. Chan served as a senior assistant of the Assurance Department, manager of the Tax Department and senior manager of China Service Department in Ernst & Young, as well as the CFO of Dransfield Group. From January 1994 to December 2008, he served as a Beijing-based partner, Beijing-based managing partner of Tax and Investment Advisory Service Department and Beijing-based managing partner of NPA Transaction Advisory Service Department of Ernst & Young. He has served as an independent non-executive Director of the Company since June 2014 and of Metallurgical Corporation of China Ltd. since November 2014. Mr. Chan graduated from Hong Kong Polytechnic majoring in accountancy. He is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants of UK, an associate member of the Institute of Chartered Secretaries and Administrators of UK and a member of CPA Australia. Mr. Chan also served as a member of the executive committee of Hong Kong Chamber of Commerce in China from 1996 to 2003 and the chairman of Hong Kong Chamber of Commerce in China from 2000 to 2003.

Directors, Supervisors, Senior Management and Staff

Supervisors

1 **Wang Yan**, aged 59, serves as the Chairman of the Supervisory Committee of the Company and also an assistant to general manager of CSRG and director of Assets Management Center of CSRG, the chairman of the supervisory committee of CSR Sifang, and a supervisor of CSR Ziyang. Mr. Wang is well-versed in policies and possesses significant knowledge in finance. He has many years of finance and management experience in the Company's specialized industry. Mr. Wang served as the deputy director of the Finance Department of LORIC (中國鐵路機車車輛工業總公司), the head of the Finance Department of CSRG, and then the deputy chief accountant and head of the Finance Department of CSRG. He was also the assistant to the general manager of CSRG and head of the directors' and supervisors' office of CSRG. Since December 2007, he has served as the chairman of the Company's supervisory committee. Mr. Wang graduated from the Second College of Renmin University of China majoring in finance. He obtained the senior professional manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association. Mr. Wang is a senior accountant.

2 **Sun Ke**, aged 59, is a supervisor and the assistant to president. He has served as the chairman of supervisory committee of Times New Material. Mr. Sun is well-versed in policies and has years of industry experience and rich experience in the field of corporate management. Mr. Sun had been deputy manager of Multi-economic Development Department of LORIC, deputy general manager, a director and general manager of Beijing Railway Industry Trade Company, deputy chief economist and director of Assets Management Center of CSRG, chairman of Beijing Railway Industry Trade Company as well as a part-time supervisor of the Supervisory Committee of State-Owned Enterprises under SASAC. From January 2010 to November 2012, he was the deputy chief economist and the head of the Audit and Risk Department of the Company. He was a supervisor of the Company since April 2011 and the assistant to president as well as the head of the Audit and Risk Department (with a term until May 2013) of the Company since November 2012. Mr. Sun graduated from Northern Jiaotong University majoring in railway vehicles and accounting. He obtained the senior professional manager qualification from China Enterprise Confederation and China

3 **Qiu Wei**, aged 55, is an employee representative Supervisor of as well as the Chairman of Labor Union of the Company. He is also currently the chairman of CSRG's labour union and a part-time supervisor of the Supervisory Committee of State-Owned Enterprises under SASAC. Mr. Qiu has extensive knowledge of, and management experience in, the Company's specialised industry. He served as deputy director of Party Committee Office of China National Railways Locomotive and Rolling Stock Industrial Corporation, and also head and deputy director of the General Affairs Division of the General Office (辦公室綜合處) of the Company, and deputy chairman of CSRG's labour union. He was the deputy director of the Working Committee of Labor Union of the Company from January 2008 to July 2014. Since December 2009, he has served as the employee supervisor of the Company. He served as a part-time supervisor of the Supervisory Committee of State-Owned Enterprises under SASAC since November 2013 and the Chairman of the Labor Union of the Company since July 2014. Mr. Qiu graduated from Chinese Communist Party's Central Party School majoring in Economic Management (distance-learning). He obtained the senior professional manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a senior political engineer.

Directors, Supervisors, Senior Management and Staff

Senior management

1 **Liu Hualong:** his biography is set out above.

2 **Zhang Jun**, aged 59, is a vice president and a standing member of the Party Committee of the Company as well as a standing member of the Party Committee of CSRG. Mr. Zhang has extensive knowledge of, and operations management experience in, the Company's specialized industry. Mr. Zhang served as deputy director, director and deputy Party secretary of Sifang Locomotive and Rolling Stock Works under the Ministry of Railways; director and deputy Party secretary, Party secretary of CSR Sifang Locomotive and Rolling Work. He also served as chairman of the board of directors and Party secretary of CSR Sifang; deputy Party secretary, secretary of Discipline Committee and chairman of labor union of CSRG. Mr. Zhang served as a vice president and a standing member of the Party Committee of the Company since December 2007. Mr. Zhang graduated from Northern Jiaotong University majoring in industrial enterprise management. He also obtained a degree in enterprise management from Fudan University. He obtained the senior professional manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a senior engineer with professorship.

3 **Zhan Yanjing**, aged 51, is a vice president and chief financial officer, as well as a standing member of the Party Committee of the Company and a standing member of the Party Committee of CSRG. Ms. Zhan has extensive financial knowledge of, and management experience in, the equipment-manufacturing industry. Ms. Zhan served as chief economist as well as director and deputy general manager of Henan Diesel Engine Group Co., Ltd. (河南柴油機廠(集團公司)), a subsidiary of China Shipbuilding Industry Corporation; deputy manager of the Securities Department, manager of the Finance Department, deputy chief accountant and manager of the Finance Department, assistant to general manager and manager of the Financial Planning Department, and then assistant to general manager of Beiqi Foton Motor Co., Ltd. (北汽福田車輛股份有限公司) as well as chief accountant of CSRG. Since December 2007, she has served as a vice president and chief financial officer as well as a standing member of the Party Committee of the Company. Ms. Zhan graduated from Huazhong Institute of Technology majoring in measure technology and industrial automation instrument, Luoyang Institute of Technology majoring in financial accounting and obtained her MBA from Peking University. She obtained the senior professional manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a senior accountant and a senior economist.

Directors, Supervisors, Senior Management and Staff

4 **Wang Jun**, aged 51, a vice president and a standing member of the Party Committee of the Company, is also a standing member of the Party Committee of CSRG. Mr. Wang has extensive experience in the management of technology and operation in the industry where the Company specializes. Mr. Wang served as the chief engineer of Sifang Locomotive and Rolling Stock Works of CSRG and a director and chief engineer, director, general manager and deputy Party secretary, vice chairman, general manager and deputy Party secretary, chairman and Party secretary of CSR Sifang. Since October 2012, he has served as a vice president and a standing member of the Party Committee of the Company. Mr. Wang graduated from Changsha Railway Institute (長沙鐵道學院) majoring in thermal dynamic mechanical devices. He was also awarded an MBA degree of senior management by Tsinghua University. He also obtained the senior professional manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association. In addition, he is a professor-level senior engineer and has been selected as a candidate of "National Hundred Talents Program" (國家百千萬人才工程) and is a National Young to Middle-aged Expert with Outstanding Contributions (國家有突出貢獻中青年專家) and a professor-level senior engineer. He is entitled to a special government allowance from the State Council.

5 **Lou Qiliang**, aged 51, a vice president and a standing member of the Party Committee of the Company, is also a standing member of the Party Committee of CSRG. Mr. Lou has extensive experience in operational and corporate management in the industry where the Company specializes. Mr. Lou served as the deputy head, head and deputy Party secretary of CSR Puzhen, as well as the executive director, general manager and deputy Party secretary of CSR Puzhen. Since October 2012, he has served as a vice president and a standing member of the Party Committee of the Company. Mr. Lou graduated from Dalian Railway Institute majoring in machinery manufacture and design. He also obtained the senior professional manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a senior engineer.

6 **Xu Zongxiang**, aged 51, a vice president and a standing member of the Party Committee of the Company, is also the standing member of the Party Committee of CSRG. Mr. Xu has extensive expertise and experience in operation and management in the industry where the Company specializes. Mr. Xu served as the deputy head of CSR Zhuzhou Electric Locomotive Works, the director and general manager, director, general manager and deputy Party secretary, executive director, general manager and deputy Party secretary of CSR Zhuzhou. Since October 2012, he has served as a vice president and a standing member of the Party Committee of the Company. Mr. Xu graduated from Xi'an Jiaotong University majoring in electric technology. He also obtained a doctorate degree of the planning and management of civil engineering and a doctorate degree of engineering from Central South University. He also obtained the senior professional manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association. In addition, he is a professor-level senior engineer.

Directors, Supervisors, Senior Management and Staff

7 **Zhang Xinning**, aged 50, is the chief engineer of the Company. Mr. Zhang has extensive expertise and experience in technological management in the industry where the Company specializes. Mr. Zhang served as the deputy head of the equipment technology division of the department of technology and education of the Ministry of Railways (鐵道部科技教育司裝備技術處), the deputy chief engineer, deputy chief engineer and the general manager of the locomotives business department of CSRG. He also served as the deputy general manager and chief engineer of CSR Zhuzhou, as well as the chief engineer of CSRG. Since December 2007, he has served as the chief engineer of the Company. Mr. Zhang graduated from the faculty of Electrical Engineering of Beijing Jiaotong University, majoring in electric traction and transmission control. He was also awarded a doctorate degree and a master's degree of engineering by Beijing Jiaotong University. He is a professor-level senior engineer and has been selected as a candidate of "Hundred Talents Program" of the Chinese Academy of Sciences at national level and is entitled to a special government allowance from the State Council.

8 **Shao Renqiang**, aged 50, is the secretary to the Board, the chief economist, the joint company secretary and news spokesperson of the Company. He is also a director of CSR Capital Company (中國南車集團投資管理公司). Mr. Shao has extensive financial management and corporate management experience in the Company's specialized industry. Mr. Shao served as the chief accountant of Sifang Locomotive and Rolling Stock Works of CSRG; a director, chief accountant, deputy general manager and chief accountant of CSR Sifang; and head of assurance department of CSRG. Since December 2007, he has served as the secretary to the Board and joint company secretary of the Company. He has become the chief economist of the Company since October 2012. Mr. Shao graduated from Northern Jiaotong University majoring in financial accounting, and obtained his MBA from Tongji University. Mr. Shao obtained the senior professional manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a senior accountant.

(III) Share Incentive Scheme Granted to Directors, Supervisors and Senior Management During the Reporting Period

Unit: Share Currency: RMB

Name	Position	Number of share options held at the opening of the year	Number of share options newly granted during the reporting period	Number of share options cancelled during the reporting period	Number of share options exercised during the reporting period	Exercising price of share options *(RMB)*	Number of share options held at the end of the reporting period	Market price at the end of the reporting period *(RMB)*
Zheng Changhong	Chairman, Executive Director	133,333	—	66,667	—	—	66,666	6.38
Liu Hualong	Executive Director, President	113,333	—	56,667	—	—	56,666	6.38
Fu Jianguo	Executive Director	113,333	—	56,667	—	—	56,666	6.38
Zhang Jun	Vice President	113,333	—	56,667	—	—	56,666	6.38
Zhan Yanjing	Vice President, Chief Financial Officer	113,333	—	56,667	—	—	56,666	6.38
Wang Jun	Vice President	94,267	—	47,133	—	—	47,134	6.38
Lou Qiliang	Vice President	94,267	—	47,133	—	—	47,134	6.38
Xu Zongxiang	Vice President	94,267	—	47,133	—	—	47,134	6.38
Zhang Xinning	Chief Engineer	100,000	—	50,000	—	—	50,000	6.38
Shao Renqiang	Secretary to the Board, Chief Economist	100,000	—	50,000	—	—	50,000	6.38
Total		1,069,466	—	534,734	—	—	534,732	—

II. POSITIONS HELD BY CURRENT AND RETIRED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Positions Held in Shareholder's Entity

Employee's name	Name of the shareholder's entity	Position held in the shareholder's entity	Commencement of term of office	Expiration of term of office
Zheng Changhong	CSRG	General Manager	October 2012	—
Wang Yan	CSRG	Assistant to General Manager	March 2007	—

(II) Positions Held in Other Entities

Employee's name	Names of other entities	Position held in other entitiles	Commencement of term of office	Expiration of term of office
Liu Zhiyong	SASAC;	Professional External Director;	August 2013;	—
	China National Coal Group Corporation	External Director	August 2014	—
Li Guo'an	Wuhan Iron and Steel (Group) Corporation	External Director	September 2014	—
Wu Zhuo	Wuhan Iron and Steel (Group) Corporation	External Director	September 2014	—
Chan Ka Keung, Peter	Metallurgical Corporation of China Ltd.	Independent Non-executive Director	November 2014	—
Zhao Jibin	China Tietong Communications Corporation	Chairman, Party secretary	October 2003	—
Yang Yuzhong	China Aviation Industry Corporation;	Consultant;	August 2006;	—
	China Materials Group Corp., Ltd.;	External Director;	December 2009;	—
	Air China Limited	Independent Non-executive Director	May 2011	—
Chen Yongkuan	Metallurgical Corporation of China Ltd.	Independent Non-executive Director	November 2008	November 2014
Dai Deming	Renmin University of China;	Professor;	June 1996;	—
	Shanxi Taigang Stainless Steel Co., Ltd.;	Independent Non-executive Director;	July 2011;	—
	Anshan Iron & Steel Group Complex	External Director	December 2012	—
Tsoi, David	Melco LottVentures Limited;	Independent Non-executive Director;	October 2001;	—
	Alliott, Tsoi CPA Limited;	Director, General Manager;	September 2004;	—
	Enviro Energy International Holdings Limited;	Independent Non-executive Director;	July 2008;	—
	Universal Technologies Holdings Limited	Independent Non-executive Director	June 2013	—
Wang Yan	CSR Sifang;	Chairman of Supervisory Committee;	July 2002;	—
	CSR. Ziyang	Supervisor	May 2006	August 2014
Sun Ke	Times New Material	Chairman of Supervisory Committee	December 2008	—
Qiu Wei	Supervisory Committee of State-Owned Enterprises under SASAC	Part-time Supervisor	November 2013	—
Zhang Xinning	CSR Ziyang	Director	May 2006	August 2014

Note:

(1) Metallurgical Corporation of China Ltd. is a company listed on the Shanghai Stock Exchange (stock code: 601618) and the Main Board of the Hong Kong Stock Exchange (stock code: 1618).

(2) Air China Limited is a company listed on the Shanghai Stock Exchange (stock code: 601111) and the Main Board of the Hong Kong Stock Exchange (stock code: 0753).

(3) Shanxi Taigang Stainless Steel Co., Ltd. is a company listed on the Shenzhen Stock Exchange (stock code: 000825).

(4) Melco LottVentures Limited is a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange (stock code: 8198).

(5) Enviro Energy International Holdings Limited is a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1102).

(6) Universal Technologies Holdings Limited is a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1026).

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures of the remuneration of Directors, Supervisors and Senior Management	The Remuneration and Evaluation Committee of the Board submits proposals to the Board in respect of the remuneration for Directors and members of the Senior Management. The Board decides the remuneration, incentives and punishment matters for members of the management. The general meeting of the Company decides matters relating to the remuneration for the relevant Directors and Supervisors.
Determination basis of the remuneration of Directors, Supervisors and Senior Management	The Company determined the remuneration of Directors, Supervisors and Senior Management with reference to the Articles of Association and relevant requirements.
Actual payment of the remuneration of Directors, Supervisors and Senior Management	The Company, pursuant to relevant provisions, paid remunerations to the Directors, Supervisors and Senior Management, except for Mr. Wang Yan, the chairman of the Supervisory Committee, who did not receive remuneration from the Company, but from CSRG and Mr. Liu Zhiyong, an independent director of the Company who is concurrently a professional external director of SASAC did not receive remuneration from the Company pursuant to the requirement of SASAC.
Total actual remuneration of all the Directors, Supervisors and Senior Management at the end of the reporting period	As at the end of the reporting period, except for Mr. Wang Yan, the chairman of the Supervisory Committee, who did not receive remuneration from the Company, and Mr. Liu Zhiyong, an independent director of the Company who is concurrently a professional external director of SASAC did not receive remuneration from the Company pursuant to the requirement of SASAC, the total actual remuneration paid to other current Directors, Supervisors and Senior Management was RMB10,602,300 and the total welfare funds including the basic contribution to the Employee Retirement Insurance Scheme paid for them by the Company was RMB1,136,200.

* During the reporting period, none of the Directors or Supervisors of the Company waived or agreed to waive the remuneration arrangements.

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

Name	Position held	Change	Reason for change
Chen Dayang	Director	Resigned	Expiration of term of office
Zhao Jibin	Director	Resigned	Expiration of term of office
Yang Yuzhong	Director	Resigned	Expiration of term of office
Chen Yongkuan	Director	Resigned	Expiration of term of office
Dai Deming	Director	Resigned	Expiration of term of office
Tsoi, David	Director	Resigned	Expiration of term of office
Yu Jianlong	Director	Resigned	Job adjustment
Liu Zhiyong	Director	Appointed	Newly appointed upon expiration of term of office of the last session
Li Guo'an	Director	Appointed	Newly appointed upon expiration of term of office of the last session
Chan Ka Keung, Peter	Director	Appointed	Newly appointed upon expiration of term of office of the last session
Wu Zhuo	Director	Appointed	Newly appointed upon expiration of term of office of the last session

The Company held a general meeting on 16 June 2014 to elect members of the third session of the Board of the Company. As the poll result of the meeting, Mr. Zheng Changhong and Mr. Liu Hualong continued to serve as executive directors. Mr. Chen Dayang ceased to serve as an executive director, and Mr. Fu Jianguo was appointed as an executive director of the Company.

Five persons, namely Mr. Zhao Jibin, Mr. Yang Yuzhong, Mr. Chen Yongkuan, Mr. Dai Deming and Mr. Tsoi, David ceased to be independent non-executive directors of the Company. Upon the election at expiration of term of office, Mr. Liu Zhiyong was appointed as a non-executive director, and four independent non-executive directors were appointed, namely: Mr. Yu Jianlong, Mr. Li Guo'an, Mr. Wu Zhuo and Mr. Chan Ka Keung, Peter. Due to personal work arrangement Mr. Yu Jianlong submitted a formal written resignation to the Board on 4 August 2014.

Mr. Wang Yan and Mr. Sun Ke continue to serve as shareholder representative Supervisors of the third session of the Supervisory Committee, who, together with Mr. Qiu Wei (employee representative supervisor elected by employee congress), constitute the third session of the Supervisory Committee.

The first meeting of the third session of the Board of the Company has elected Mr. Zheng Changhong to continue to be the chairman of the Company.

The first meeting of the third session of the Supervisory Committee of the Company has elected Mr. Wang Yan to continue to be the chairman of Supervisory Committee of the Company.

Pursuant to the recommendation of the first meeting of the Nomination Committee of the third session of the Board, the second meeting of the third session of the Board of the Company continued to appoint Mr. Liu Hualong as the president of the Company, Mr. Zhan Yanjing as the vice president and chief financial officer of the Company, Mr. Zhang Jun, Mr. Wang Jun, Mr. Lou Qiliang and Mr. Xu Zongxiang as the vice presidents of the Company; Mr. Zhang Xinning as the chief engineer, and Mr. Shao Renqiang as the secretary to the Board and the chief economist of the Company.

V. THE CORE TECHNICAL TEAM OR KEY TECHNICAL STAFF OF THE COMPANY

During the reporting period, the management of core talent team building was continuously strengthened and there was no significant change in the core technical team and key technical staff of the Company. During the year, one employee was newly selected as national level candidate for "National Hundred Talents Program (國家百千萬人才工程)" and "National Young to Middle-aged Expert with Outstanding Contributions (國家有突出貢獻中青年專家); 5 employees were granted "Zhan Tianyou Railway Science and Technology Award (詹天佑鐵道科技獎)", including one for Grand Prix, one for Achievement Award, one for Contribution Award and two for Youth Award. 15 employees were granted the special allowance of the State Council; and six employees obtained "Mao Yisheng Award for Railway Engineer (茅以升鐵道工程師獎)"

VI. STAFF OF THE PARENT COMPANY AND PRINCIPAL SUBSIDIARIES

(I) Staff Information

Total number of staff with the parent company	166
Total number of staff with subsidiaries	88,759
Total number of staff	88,925
Number of employees whose retirement expenses are borne by the parent company and the subsidiaries	51,052

By profession

Category of profession	Number of each profession
Production personnel	53,158
Engineering and technical personnel	19,230
Operation and management personnel	14,128
Other personnel	2,409
Total	88,925

By education

Education level	Number (person)
Doctors	146
Masters	3,455
University graduates	22,100
Tertiary college graduates	20,947
Secondary school and below	42,277
Total	88,925

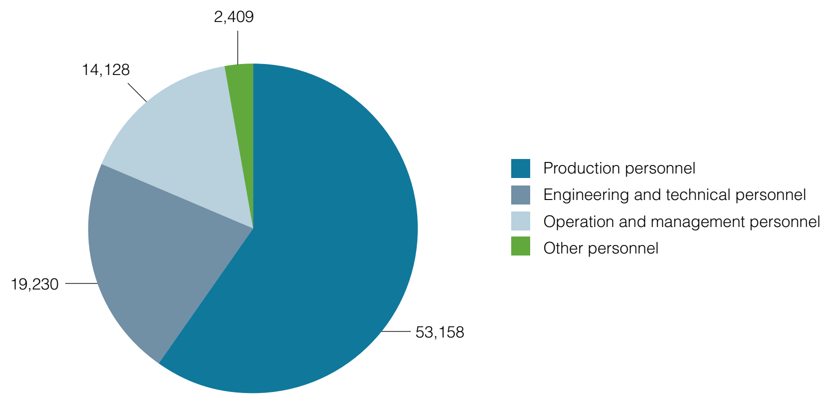
(II) Remuneration Policies

The Company has committed itself to improving the income of its staff. A payment system which is substantially based on a job-performance salary scheme has been in place to determine one's salary with reference to position and performance. The system aims to promote the capability of staff. Catering to the demand for production, operation and development of the Company, and with reference to different positions and the characteristics of different staff, the Company adopted a range of flexible salary payment criteria, such as an annual salary system, a target-based salary system and a piece-rate salary system. Leveraging the e-HR system, the Company strengthened and enhanced the daily management of salary and performance, built the salary-performance linkage system and position-salary grade management system, strengthened the motivation and binding effect of salary payment. As a result, its subsidiaries, in general, met the control requirement of a systematic, integrated and standardized salary management. The Company also let its staff share the success of the Company whilst focusing on corporate development. In addition to the salary payment to its staff, the Company paid due attention to the sense of competence, achievement and responsibility and demand for personal development of its staff in carrying out their duties.

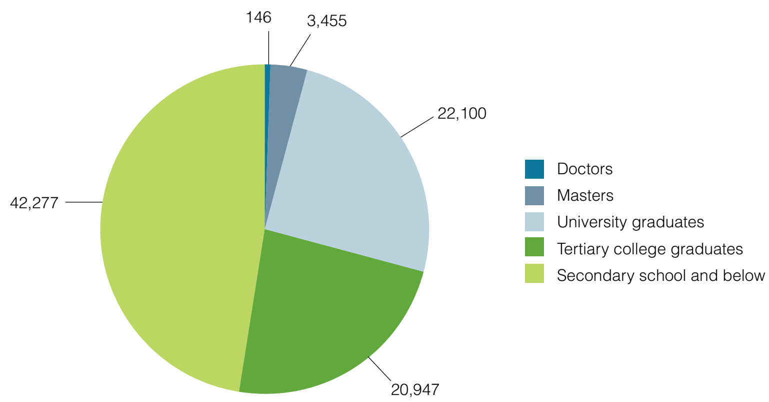
(III) Personnel Training

During the reporting period, pursuant to "Key Points on CSR Staff Training 2014", the Company continued to carry out "CSR's Twelfth Five Year Personnel Development Scheme", to give prominence to innovativeness, proactiveness, pertinence, and effectiveness on talent cultivation. The Company completed the Documents for CSR Training Management System, strengthened the implementation of curriculum system, internal trainer system and EL platform project, carried out selection of senior trainers and appraisal of internal curriculum, endeavoured to promote innovation of training mode with development of training programs and speeded up team building of managerial, technological, technical levels of core personnel with further practice of action learning, advancement of training mode with integration of theory and practice and propulsion of application of action learning and so forth. During the year, the Company initiated key cultivation projects such as the "242 Climbing Plan" and "Lean Manufacturing" for internationalized talents, organized and developed the series courses such as "CSR's Solution to Management", focused on organizing and implementing key training programs, such as internationalized talents, outstanding leadership, developing leadership, core talents, marketing, comprehensive management, job foreman and senior skilled talents, which aimed to cultivate mid-high level managers with global visions and cross-areas skills. During the year, the Company held 25 sessions, with a total of 1,198 personnel trained. In addition, 38,000 users registered with the Online College of CSR University, over 50,000 personnel studied online through the college. In 2014, a total of approximately 226,000 personnel of the Company participated in company-level, subsidiary-level and workshop-level trainings, of which approximately 33,000 were management personnel, approximately 25,000 were professional technologists, while approximately 168,000 were technical personnel. In all, thoroughly and orderly implementing personnel training and development work has provided talent support for the Company's rapid growing.

(IV) Staff Composition by Professions



(V) Staff Structure by Education Level



Corporate Governance Report

I. CORPORATE GOVERNANCE

During the reporting period, the Company carry out corporate governance work in compliance with requirements of the laws and regulations such as the Company Law, the Securities Law and the Code of Corporate Governance for Listed Companies as well as relevant requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange and established the modern corporate governance structure featuring "General Meeting, the Board, the Supervisory Committee and the Management". Through continuous efforts in improving all internal control systems of the Company, strengthening its information disclosure and standardising corporate operations, the Company aspires to develop itself into a listed company with quality and sound market image. The Company's corporate governance meets the requirements of regulatory documents applicable to listed companies in domestic and overseas markets.

The Company established its corporate governance rules according to the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Hong Kong Listing Rules. In certain aspects, the corporate governance practices adopted by the Company are more stringent than the code provisions set out in the Code. After reviewing the corporate governance documents adopted by the Company, the Board is of the opinion that the Company's corporate governance is in compliance with all the principles, code provisions and part of the recommended best practices in the Code.

II. SHAREHOLDERS AND GENERAL MEETINGS

(I) Shareholders and general meetings

Safeguarding shareholders' interests and promoting their values always serve as the Company's goal of development. The general meeting is the highest authority of the Company, through which shareholders may exercise their powers. The Company convened and held general meetings to resolve on related matters in strict compliance with relevant laws and regulations as well as the requirements under the Rules of Procedure for General Meetings of the Company. The Company ensured that all shareholders, especially minority shareholders, are entitled to their legal interest based on their shareholdings in the Company and to fully exercise their rights.

(II) Relationship between the controlling shareholder and the Company

The Company is strictly independent from its controlling shareholder in terms of assets, business, organisation, finance and personnel. The Board, Supervisory Committee and internal departments are able to operate independently. The controlling shareholder of the Company put stringent constraint on individual behaviours and exercised rights and undertook obligations as shareholder pursuant to laws. The Company is not aware of any appropriation of the Company's capital and assets by the controlling shareholder.

III. DIRECTORS AND THE BOARD

(I) Directors and the Board

Currently, the Company consists of seven directors, including three independent non-executive directors. The Board acts in the best interests of the Company and shareholders and is responsible for the consideration and approval of business strategies and material investment and other significant matters of the Company. The main duties of the Board shall also include consideration and approval of the Company's regular announcements on results and operating condition. The convening, holding, voting and other relevant procedures of the Company's Board meetings were executed in strict compliance with relevant laws and regulations as well as requirements of the Rules of Regular Meetings of the Board and the Rules of Procedure for the Board of Directors. All Directors of the Company are highly familiar with their rights, obligations and responsibilities as Directors and are capable of performing their functions with due diligence in a faithful and diligent manner. All Directors were punctual at Board meetings. They duly considered every resolution proposed at the Board meetings and the general meetings and gave constructive advice thereof, bringing into full play Directors' decision-making role in corporate governance. The independent Directors of the Company actively participated in corporate governance and raised suggestions and advices for reform and development of the Company with their knowledge and rich work experiences, facilitating the Company with optimisation of strategy, enhancement of management and improvement of operation.

The Board of the Company has established four committees, namely the Strategy Committee, the Audit and Risk Management Committee, the Remuneration and Evaluation Committee and the Nomination Committee. During the reporting period, all the committees carried out work in a regular manner, presented work proposals from their respective professional perspectives independently for discussion and consideration, whereby providing strong support to the Board.

The Board is mainly responsible for formulating and reviewing the corporate governance policies and practices of the Company, and authorizing the Board committees to perform specific functions of corporate governance. Details of the Board committees performing corporate governance functions are set out in the section headed "Board committees" in this chapter.

The composition of the Board, biographical details of Directors and relationship between them are detailed in the chapter headed "Directors, Supervisors, Senior Management and Staff" and the section headed "Financial, Business or Family Relationship among members of the Board" in "Report of Directors". Each Director was appointed for a term of three years. Upon expiry, such term is renewable upon re-election. In 2014, the Company purchased liability insurance for Directors, Supervisors and Senior Management of the Company to provide security for the compensation liabilities that may arise during the performance of their duties in accordance with laws.

Corporate Governance Report

(II) Attendance of Directors at the Board meetings and the general meetings

Name of director	Independent director or not	Attendance at the Board meetings: Required attendance during the year	Attendance in person	Attendance by proxy	Absence	Absence from two consecutive meetings or not	Attendance at the general meetings: Attendance at the general meetings
Zheng Changhong	No	10	10	—	—	No	1
Liu Hualong	No	10	10	—	—	No	1
Fu Jianguo	No	7	7	—	—	No	1
Liu Zhiyong	No	7	7	—	—	No	1
Yu Jianlong,	Yes	2	2	—	—	No	0
Li Guo'an	Yes	7	7	—	—	No	1
Wu Zhuo	Yes	7	7	—	—	No	1
Chan Ka Keung, Peter.	Yes	7	7	—	—	No	1
Chen Dayang	No	3	3	—	—	No	1
Zhao Jibin	Yes	3	3	—	—	No	1
Yang Yuzhong	Yes	3	3	—	—	No	0
Chen Yongkuan	Yes	3	3	—	—	No	0
Dai Deming	Yes	3	3	—	—	No	1
Tsoi, David	Yes	3	3	—	—	No	1

Number of Board meetings convened during the year		10
Among which:	number of meetings convened on-site	9
	number of meetings convened by means of communication	1
	number of meetings convened in combination of on-site and communication	—

Note:

1. Chen Dayang, Zhao Jibin, Yang Yuzhong, Chen Yongkuan, Dai Deming and Tsoi, David were Directors of the second session of the Board whose term had expired.

2. Zheng Changhong, Liu Hualong, Fu Jianguo, Liu Zhiyong, Yu Jianlong, Li Guo'an, Wu Zhuo and Chan Ka Keung, Peter were selected as Directors of the third session of the Board on 16 June 2014 as considered and approved at the 2013 annual general meeting. Yu Jianlong submitted a written resignation to the Board on 4 August 2014 due to personal work arrangement and ceased to serve as an independent non-executive Director of the Company and member of the Board committees.

(III) Development and refreshment of knowledge and skills by Directors

The Board Office provided comprehensive services and sufficient information for Directors, so that Directors can understand the conditions of the Company in a timely manner. The Board Office delivered to Directors the latest information and bulletins relating to the business changes and development of the Company and the latest laws, rules and regulations in relation to their positions and responsibilities. The Board Office also arranged themed trainings and seminars for Directors. In 2014, pursuant to the requirements under code provision A.6.5 of the Code, Directors of the Company all participated in continuous professional development activities in relation to their positions and responsibilities, developing and refreshing their knowledge and skills, so as to ensure that their contribution to the Board remains informed and relevant. Based on the trainings arranged for the Directors by the Company and the records of learning and trainings submitted by the Directors, the trainings received by each Director in 2014 are as follows:

Name of Director	Trainings *(Note)*
Executive Directors	
Zheng Changhong	C,D
Liu Hualong	C,D
Fu Jianguo	A,C
Chen Dayang	C,D
Non-executive Directors	
Liu Zhiyong	C,D
Independent Non-executive Directors	
Yu Jianlong	C,D
Li Guo'an	B,C
Wu Zhuo	B,C
Chan Ka Keung, Peter	B,C
Zhao Jibin	C,D
Yang Yuzhong	C,D
Chen Yongkuan	C,D
Dai Deming	C,D
Tsoi, David	C,D

Note: A, B, C and D in the above table represent trainings of the following types respectively:

A. 2014 training session for directors, supervisors and senior management organized by the Beijing Securities Regulatory Bureau

B. Attending seminar trainings in aspects such as legal regulation, corporate governance and financial control organized by professional institutes

C. Studying and reading relevant laws and regulations (revised and amended) such as the Hong Kong Listing Rules

D. Attending trainings on laws and regulations of regulatory organs arranged by the Company

(IV) Independent non-executive Directors and their independence

The Board comprises three independent non-executive Directors and one non-executive Director. All members of the Remuneration and Evaluation Committee under the Board are independent non-executive Directors. Independent non-executive Directors represent the majority of the members of the Nomination Committee and the Audit and Risk Management Committee, and chairmen of the Audit and Risk Management Committee, the Nomination Committee and the Remuneration and Evaluation Committee are all independent non-executive Directors. The independent non-executive Directors of the Company have extensive expertise and experience, among whom Chan Ka Keung, Peter. is an accounting professional.

The independent non-executive Directors of the Company have submitted written confirmations of their independence as required by Rule 3.13 of the Hong Kong Listing Rules. The Company considers that the independence of each of the independent non-executive Directors has been established. During the reporting period, the independent non-executive Directors did not raise objections to the proposals presented at the Board meetings or other meetings for the year.

(V) Responsibilities of the Board

The Board is the decision-making body of the Company. It reports to the general meeting and exercises the following powers in accordance to the Articles of Association: (1) to convene general meetings and implement resolutions of the general meetings; (2) to decide on the Company's business plans and investment plans; (3) to formulate the Company's annual financial budget plan, final accounts, profit distribution plan and plan for recovery of losses; (4) to formulate proposals for material acquisition, share repurchase by the Company, or merger, division, dissolution and transformation; (5) to appoint or remove senior management members and, to decide on their remuneration and award and punishment matters; (6) to formulate the Company's basic management system; (7) to decide on the establishment of special committees of the Board and to consider and approve the resolutions proposed by each special committee of the Board; and (8) to manage information disclosure of the Company, etc.

(VI) Board committees

The Board has established the Strategy Committee, the Nomination Committee, the Remuneration and Evaluation Committee and Audit and the Risk Management Committee, and has specified their respective terms of reference in accordance with laws, regulations and principles stipulated by the Code. Each committee reports its work to the Board. Performance of duties by the Board committees during the reporting period is set out below:

1. Strategy Committee

The role, composition, terms of reference, decision-making procedures and rules of procedures of the Strategy Committee are clearly defined in the Working Rules for Strategy Committee of the Board of the Company. In June 2014, the Board of the Company smoothly completed its re-election and established the third session of Board. The members of the Strategy Committee of the third session of the Board were Mr. Zheng Changhong, Mr. Liu Zhiyong, Mr. Liu Hualong, Mr. Wu Zhuo and Mr. Fu Jianguo. Mr. Zheng Changhong serves as the chairman of the committee while Mr. Liu Zhiyong serves as the vice-chairman of the committee. The primary responsibilities of the Strategy Committee are to study and make recommendations on the long-term development strategies and major investment decisions of the Company, and to supervise and examine the annual business plan as well as the implementation of investment plan under the authorisation of the Board. The Strategy Committee shall be held accountable to the Board.

During the reporting period, the Strategy Committee strictly complied with requirements of the Working Rules for Strategy Committee of the Board, performed its duties independently and objectively, and studied and made proposals for the Company's development strategies and major investment decisions. A total of six meetings were held, at which the Proposal in Relation to Amendment to the "12th Five-Year Development Strategy (Outline) of the Company", the Proposal in Relation to the Annual Operating Plan of the Company for 2014, the Proposal in Relation to the Annual Financial Budget of the Company for 2014, the Proposal in Relation to the Temporary Replenishment of Working Capital by Proceeds, the Proposal in Relation to Preparation of the 13th Five-Year Development Strategy (Outline) of the Company, the Proposal in Relation to Establishment of CSR Guiyang Rolling Stock Co., Ltd. (南車貴陽車輛有限公司), the Proposal in Relation to Preparation Plan for the 2015 Annual Operating Plan of the Company, and the Proposal in Relation to Preparation Plan for Annual Financial Budget of the Company for 2015, etc. were considered and approved. During the reporting period, the second session of the committee considered 10 proposals and debriefed three written reports and the third session of committee considered 14 proposals and debriefed two written reports.

During the reporting period, the Strategy Committee held six meetings, among which three meetings were held by the second session of the committee and the other three were held by the third session of the committee. The attendance of each Director is as follows:

The second session of the Strategy Committee:

Name of Director	Number of attendance/ Number of meeting	Attendance rate
Zheng Changhong	3/3	100%
Yang Yuzhong	3/3	100%
Liu Hualong	3/3	100%
Zhao Jibin	3/3	100%

The third session of the Strategy Committee:

Name of Director	Number of attendance/ Number of meeting	Attendance rate
Zheng Changhong	3/3	100%
Liu Zhiyong	3/3	100%
Liu Hualong	3/3	100%
Wu Zhuo	3/3	100%
Fu Jianguo	3/3	100%

Corporate Governance Report

2. Nomination Committee

The Nomination Committee is composed of five Directors, namely Mr. Zheng Changhong, Mr. Liu Hualong and Mr. Li Guo'an (independent non-executive Director), Mr. Wu Zhuo (independent non-executive Director) and Mr. Chan Ka Keung, Peter. (independent non- executive Director), with Mr. Li Guo'an as the chairman of the Nomination Committee.

The primary responsibilities of the committee are to formulate the nomination procedures and selection standards of Directors and Senior Management, and preliminarily review the eligibility and other qualifications of the candidates for Directors and Senior Management. The standards of recommendation on the nomination of Directors include suitable professional knowledge and industry experience, personal conduct, integrity and skills, the commitment of sufficient time devotion of the Directors. The committee is responsible for monitoring the implementation of the Board Diversity Policy and will review and amend the policy, as appropriate, to ensure its effectiveness.

The candidates for Directors, except independent Directors, shall be nominated by the Board or shareholders individually or collectively holding more than 3% of the shares of the Company with voting rights, and elected at a general meeting of the Company. The candidates for independent Directors shall be nominated by the Board, Supervisory Committee of the Company or shareholders individually or collectively holding more than 1% of the shares of the Company and elected at a general meeting.

During the reporting period, the second session of the Nomination Committee of the Board held one meeting. The eighth meeting of the second session of the committee was held on 23 May, at which the Proposal in Relation to Nomination of Candidates for Directors of the Third Session of the Board was considered and approved. The third session of Nomination Committee held one meeting. The first meeting of the third session of the committee was held on 16 June, at which the Proposal in Relation to Recommendation of Candidates for Senior Management of the Company, the Proposal in Relation to Recommendation of Candidates for Secretary of the Board of the Company, the Proposal in Relation to Recommendation of Candidates for Authorised Representative and Joint Company Secretaries of the Company, and the Proposal in Relation to Recommendation of Candidates for Representative of Securities Affairs of the Company were considered and approved.

During the reporting period, the Nomination Committee adopted the Board Diversity Policy. When reviewing the size and composition of the Board and searching for and recommending candidates for Directors, the Nomination Committee should take into account relevant factors to achieve the diversity of the Board in accordance with the Company's business model and specific needs. The Committee may consider the diversity of the Board from various aspects, including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and so forth. Upon consideration of the above factors, the Nomination Committee shall make a final recommendation to the Board based on merit and contribution that the selected candidates will bring to the Board.

During the reporting period, the Nomination Committee held two meetings in total. The attendance of each Director is as follows:

The second session of the Nomination Committee:

Name of Director	Number of attendance/ Number of meeting	Attendance rate
Zhao Jibin	1/1	100%
Zheng Changhong	1/1	100%
Liu Hualong	1/1	100%
Yang Yuzhong	1/1	100%
Chen Yongkuan	1/1	100%

The third session of the Nomination Committee:

Name of Director	Number of attendance/ Number of meeting	Attendance rate
Li Guo'an	1/1	100%
Zheng Changhong	1/1	100%
Liu Hualong	1/1	100%
Wu Zhuo	1/1	100%
Chan Ka Keung, Peter	1/1	100%

3. Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee is composed of three independent non-executive Directors, namely Mr. Wu Zhuo, Mr. Li Guo'an and Mr. Chan Ka Keung, Peter, with Mr. Wu Zhuo as the chairman of the Remuneration and Evaluation Committee.

The primary responsibilities of the committee are to submit proposals to the Board on the general policies and structure of the remuneration of Directors and Senior Management, as well as the procedures in the formulation of standardised and transparent remuneration policies. It is also responsible for reviewing the compensation policies and schemes for Directors and Senior Management of the Company, formulating the evaluation standards for them and evaluating their performance of duties. In addition, the committee submits proposals to the Board on the formulation of the remuneration packages for individual executive Director and Senior Management. It also reviews and supervises the continuous professional development of Directors and Senior Management, and supervises the implementation of the remuneration system of the Company.

During the reporting period, the second session of the Remuneration and Evaluation Committee held one meeting. The fourth meeting of the second session was held on 28 March, at which the Proposal in Relation to the Remuneration and Welfare of the Senior Management of the Company in 2013 and the Proposal in Relation to the Remuneration and Welfare of the Directors and Supervisors of the Company in 2013 were considered and approved and two reports were debriefed, including the Report on the Actual Payment of Annual Remuneration of Senior Management of the First Tier Subsidiaries in 2013 and the Report on Exercise of the Second Batch of Share Option of the Company.

Corporate Governance Report

During the reporting period, the Remuneration and Evaluation Committee held one meeting in total. The attendance of each Director is as follows:

The second session of the Remuneration and Evaluation Committee:

Name of Director	Number of attendance/ Number of meeting	Attendance rate
Chen Yongkuan	1/1	100%
Dai Deming	1/1	100%
Tsoi, David	1/1	100%

4. Audit and Risk Management Committee

The role, composition, terms of reference, decision-making procedures and rules of procedures of the Audit and Risk Management Committee are clearly defined in the Working Rules for Audit and Risk Management Committee of the Board of the Company. The third session of the Audit and Risk Management Committee was served by two independent non-executive Directors, namely, Chan Ka Keung, Peter and Li Guo'an and a non-executive Director, namely, Liu Zhiyong, among which Chan Ka Keung, Peter has extensive professional knowledge and experience in accounting, with the qualification of Certified Public Accountant. Mr. Chan Ka Keung, Peter serves as the chairman of the Audit and Risk Management Committee. The Audit and Risk Management Committee shall be held accountable to the Board. The primary responsibilities of the Audit and Risk Management Committee are to monitor the external audit procedures and quality of the Company, supervise the internal audit system and its implementation, and review the Company's financial information and other information disclosure as well as its internal control system.

During the reporting period, in strict compliance with the provisions of the Articles of Association, the Working Rules for Audit and Risk Management Committee of the Board and the Annual Report Working Procedures for the Audit and Risk Management Committee of the Board, all members performed their functions and carried out their responsibilities conferred by the Board in a diligent and earnest manner. All members attended meetings on time, studied, examined and approved proposals in compliance with requirements of regulatory authorities and the Company, actively communicated with external accountants and relevant departments of the Company, and completed all following work successfully.

(1) Convening various meetings. During the reporting period, the Audit and Risk Management Committee held ten meetings in total. It considered and approved, among others, the followings proposals: Work Plan for the Company's Annual Internal Audit, Internal Control and Risk Management in 2014, Schedule for Audit of 2013 Financial Report of the Company, 2013 Annual Report of the Company, Guarantee Arrangement of the Company and its Subsidiaries in 2014, Credit Line of the Company in 2014, H Share Non-exempt Continuing Connected Transaction of the Company in 2013, Relevant Matters on Auditor's Report on Use of Proceeds of the Company in 2013, Assessment Report of Internal Control of the Company in 2013 and Amendments to the Work Rules of the Audit and Risk Management Committee of the Board. Meanwhile,it performed the following duties: (1) supervised and reviewed the policies and practices of the Company on laws and compliances; (2) examined, supervised and evaluated the Company's corporate governance, and considered and approved the Assessment Report on Internal Control of the Company.

During the reporting period, the second session of Audit and Risk Management Committee held six meetings while the third session of Audit and Risk Management Committee held four meetings. The attendance of each Director is as follows:

The second session of the Audit and Risk Management Committee:

Name of Director	Number of attendance/ Number of meeting	Attendance rate
Dai Deming	6/6	100%
Yang Yuzhong	6/6	100%
Tsoi, David	6/6	100%

The third session of the Audit and Risk Management Committee:

Name of Director	Number of attendance/ Number of meeting	Attendance rate
Chan Ka Keung, Peter	4/4	100%
Liu Zhiyong	4/4	100%
Li Guo'an	4/4	100%

(2) Reviewing the financial information of the Company and the disclosure thereof. The Audit and Risk Management Committee examined and studied the financial information as disclosed in the Company's report and financial statements, carefully reviewed the proposal in relation to the financial report of the Company.

(3) Supervising external audit procedures and quality as well as the audit conducted by the accounting firms. The Audit and Risk Management Committee communicated with auditors for annual audit plan in respect of 2013 annual audit arrangement and timetable. Having been debriefed special reports from the accounting firms and financial officers of the Company respectively, the committee determined the audit work arrangement of the Company for 2013. After commencement of audit by the accounting firms with respect to the Company's annual audit, the Audit and Risk Management Committee had urged the accounting firms for a number of times through the financial officers and Secretary to the Board of the Company to complete the auditors' report on time and according to the working schedule, and sent supervision letter to the accounting firms.

(4) Evaluating and summarizing the annual audit work done by the accounting firms. The Audit and Risk Management Committee assessed and summarized the audit work done by the accounting firms who provided audit service in respect of the Company's annual report. The assessment of the annual audit work done by the accounting firms was arrived at by taking the three aspects, audit plan, on-site operation and audit report, into consideration. The committee then reported the assessment results and the summary to the Board.

(5) Expressing opinions on reviewing the 2013 financial report and the internal control audit report relating to the financial report. According to the relevant regulations and requirements of CSRC, the Audit and Risk Management Committee expressed review opinions twice in respect of annual financial report and the internal control audit report relating to financial report: 1) the committee expressed written opinion in respect of the unaudited financial statements and the internal control audit report relating to the financial report; 2) After the auditor for annual audit issued preliminary audit opinion, the Audit and Risk Management Committee reviewed again the financial report of the Company and the internal control audit report relating the financial report and expressed written opinion, approving to submit the 2013 financial report of the Company and the internal control audit report relating the financial report to the Board of the Company for consideration.

Corporate Governance Report

(6) Supervising and providing guidance to the Company's internal audit. The Audit and Risk Management Committee was debriefed reports on the Company's internal audit in multiple occasions, and communicated with the Company's internal audit department, through face-to-face talks and emails, to suggest requirements and to monitor the implementation of the internal audit work. The Audit and Risk Management Committee reviewed and approved the internal audit work plan put forward by the Company and considered the proposals submitted by the internal audit department, gave guidance and lay down requirements for carrying out internal audit.

(7) Reviewing the Company's implementation of internal control and risk management. The Audit and Risk Management Committee was debriefed the report in connection with the implementation progress of internal control and risk management, and urged the Company to enhance its internal control system and risk management capability. In the internal control assessment process, members of the Audit and Risk Management Committee communicated with the chief financial officer of the Company, head of the financial department and the persons responsible for the preparation of financial statements, studied carefully and filled in the Working Paper of Assessment of Internal Control, discussed and reviewed the Assessment Report on Internal Control submitted by the Company.

(8) Carrying out investigation and research on subsidiaries. In order to gain a deeper understanding of the corporate development, the members of the Audit and Risk Management Committee set out to the grassroots to conduct investigation and research on the operation and management of the Company's subsidiaries such as CSR Puzhen, CSR Sifang Ltd. and CSR Chengdu.

IV. CHAIRMAN AND PRESIDENT

To ensure the balanced distribution of power and authorisation and to avoid excessive concentration of power, the positions of the chairman and the president are assumed by Mr. Zheng Changhong and Mr. Liu Hualong respectively, so as to improve independence, accountability and responsibility. The chairman and the president are two distinctly different positions, with clean division of responsibilities as set out in the Articles of Association.

As the legal representative of the Company, the chairman presides over the operations of the Board, with an aim to ensure that the Board acts in the best interests of the Company and operates effectively, performs its responsibilities accordingly and has discussion over various important and appropriate matters and that the Directors have access to accurate, timely and clear data. The president, on the other hand, leads the management and is responsible for the management of the day-to-day operations of the Company, including the implementation of the policies adopted by the Board, and reporting to the Board on the Company's overall operation. The Articles of Association set out in detail the respective responsibilities of the chairman and the president.

V. SUPERVISORS AND THE SUPERVISORY COMMITTEE

The Supervisory Committee is the supervisory body of the Company. It reports to the general meeting of the Company and is responsible for supervising the Company's financial condition and compliance of the performance of duties by Directors and Senior Management, so as to protect the interests of the Company and shareholders under the laws. The Company has convened and held meetings of the Supervisory Committee in accordance with the Rules of Procedures for the Supervisory Committee, and taken effective measures to ensure the Supervisor's rights to be informed. All Supervisors were able to duly discharge their respective duties and acted in the interests of the shareholders. Besides, they supervised all significant events, financial affairs of the Company as well as the legal compliance of the performance of duties by the Directors and Senior Management of the Company.

VI. RESPONSIBILITIES OF THE MANAGEMENT

The Board is responsible for reviewing and approving the overall strategies and significant events of the Company. The Board delegates to the management of the Company to be in charge of the management of the daily operation and strategy implementation of the Company. The main responsibilities of the management include taking charge of the operation and management of the Company, organising the implementation of the resolutions of the Board, and reporting its work to the Board. The management also organises the implementation of the annual business and investment plans of the Company. In addition, the management proposes the annual targets and a development plan of the Company based on the national industry policies and the demand of markets, and organises the implementation of the same upon consideration and approval at the Board meetings and general meetings. The Board gives clear guidelines on the delegation to the management and regularly review the responsibilities delegated to the management and their performance so as to ensure the overall interest of the group. The management of the Company submit briefing reports to the Board on a monthly basis, which set out the financial position and significant operating performance of the Company. Issues such as the significant activities and decisions in the operation and management will also be reported to the Board or Supervisory Committee by the management.

VII. SHAREHOLDERS' RIGHTS

(I) Convening an extraordinary general meeting by shareholders

Pursuant to the Articles of Association, shareholders individually or collectively holding more than ten percent (10%) of the issued shares of the Company with voting rights are entitled to convene an extraordinary general meeting by written request. Feedback on whether agreeing to convene the extraordinary general meeting shall be given by the Board within ten (10) days upon receipt of the request. Shareholders proposed to convene the extraordinary general meeting by written request are entitled to propose to the Supervisory Committee for convening the extraordinary general meeting upon disagreement or no feedback on convening the extraordinary general meeting from the Board within ten (10) days upon receipt of the request. Notice on convening the meeting shall be issued by the Supervisory Committee within five (5) days upon receipt of request where the committee agrees to convene the meeting. The Supervisory Committee is deemed to not to convene and host the general meeting if notice on convening the meeting is not issued by the committee within the stipulated period. Shareholders individually or collectively holding more than ten percent (10%) of the shares of the Company for a consecutive period of ninety (90) days can themselves convene and host the meeting.

(II) Putting enquiry to the Board by shareholders

Shareholders can raise enquiries to the Board at any time by contacting the Board Office. Shareholders who raise enquiries shall provide evidence on their interests in the Company's shares, such as documents of shareholding. Written means such as email, facsimile and post with sufficient contact details are recommended by the Company for timely and appropriate handling and recording of the enquiries.

The contact details of the Board Office of the Company are as follows:

Tel:	(8610) 5186 2188
Fax:	(8610) 6398 4785
Email:	csr@csrgc.com
Postal address:	No.16, Central West Fourth Ring Road, Haidian District, Beijing, the PRC

(III) Submission of proposals to the general meetings by shareholders

Shareholders individually or collectively holding more than three percent (3%) of the shares of the Company can submit additional proposal(s) in writing to the convenor on or before ten (10) days prior to the date of the general meeting. The additional proposal(s) should be within the terms of reference of the general meeting and with explicit subject and specific matters to be resolved on. Shareholders can contact the Board Office of the Company for submitting proposal(s) to the general meeting, the contact details of which are set out in the section headed "Putting enquiry to the Board by shareholders".

VIII. SIGNIFICANT CHANGE IN THE ARTICLES OF ASSOCIATION DURING THE REPORTING PERIOD

In 2014, the Company did not make any amendments to the Articles of Association.

IX. INTERNAL CONTROL

(I) Statement on the responsibility of internal control and development of internal control system

The Company placed strong emphasis on the development of internal control and has established a comprehensive internal control system according to laws, regulations and regulatory documents. The Company continued to develop a sound internal control system and enhance its standard on corporate governance, so as to further standardise its operations. The general objective of the Company's internal control is to ensure legal and compliant corporate operation and governance, safety of assets, truthful and complete financial report and relevant information, as well as enhancement on the efficiency and results of operation and management, so as to ensure the accomplishment of the strategic objective of corporate rapid growth. In addition, the establishment of sound internal control and the effective implementation thereof is the responsibility of the Board of the Company, and the Supervisory Committee supervises the establishment and implementation of internal control by the Board. On the other hand, the operating divisions are responsible for organising and leading the daily operation of the Company's internal control.

With a view to ensuring the effectiveness of corporate governance, the Company established a refined internal control system and formulated the following rules and regulations: Articles of Association, Rules of Procedure for General Meetings, Rules of Procedure for the Board of Directors, Rules of Procedure for Supervisory Committee, Independent Directors' Manual, Working Rules for the Strategy Committee of the Board, Working Rules for the Audit and Risk Management Committee of the Board, Working Rules for the Nomination Committee of the Board, Working Rules for the Remuneration and Evaluation Committee of the Board, President's Manual, Management Measures on Use of Proceeds, Management Measures on Related Party Transactions, Management Measures on Information Disclosure, Management Measures on Investor Relations, and Management Measures on External Guarantees, etc.. In addition, the Company has already compiled Employee Handbook, Compilation of Rules and Regulations, Risk Management Manual, Internal Control Manual, Internal Control Assessment Manual and Audit System Manual, and issued the Guidance on Capital Operation and Measures of Product Quality in 2014 with a view to standardizing its internal control practices. Furthermore, in compliance with Basic Standards for Enterprise Internal Control and its complementary guidelines jointly issued by five ministries including the Ministry of Finance, Internal Control Guidance for Listed Company by SSE, the Corporate Governance Code by the Hong Kong Stock Exchange and Comprehensive Risk Management Guidance for Central Enterprises by SASAC, the Company, by reference to its own characteristics, established internal control system including control over financial reporting.

The Assessment Report on Internal Control was disclosed by the Company on the websites of SSE (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

The assessment of internal control of the Company drew to the following conclusions: According to the identification results of material deficiencies in the internal control over the financial report of the Company, there was no material deficiencies existed in the internal control over the financial report as at the base date of the Assessment Report on Internal Control. Therefore, the Board considered that the Company had maintained an effective internal control over the financial report in all material aspects in accordance with the requirements under the corporate internal control standard system and relevant regulations. According to the identification results of material deficiencies in the internal control outside the financial report of the Company, there was no material deficiencies existed in the internal control outside the financial report as at the base date of the Assessment Report on Internal Control. During the period from the base date of the Assessment Report on Internal Control to the issue date of the Assessment Report on Internal Control, no factors that have influence on the assessment conclusion to the effectiveness of internal control occurred.

(II) Information of the audit report on internal control

Deloitte Touche Tohmatsu CPA LLP, engaged by the Company, has audited the effectiveness on the internal control of the Company related to financial reporting, and has issued an audit report with unqualified opinion.

The Audit Report on Internal Control was disclosed by the Company on the websites of SSE (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

(III) Accountability mechanism for major errors in annual report and relevant information on its implementation

The Management Measures on Information Disclosure of the Company sets out detailed provisions with respect to the accountability mechanism for major errors in information disclosure: obligors and other insiders for information disclosure shall be held liable for the non-compliance by the Company with the laws and regulations in relation to information disclosure which has resulted in any adverse effect and loss to the Company as a result of the breach of duty of such persons or violation of relevant provisions by such persons.

X. ESTABLISHMENT AND IMPLEMENTATION ON THE EVALUATION AND INCENTIVE SYSTEM FOR THE SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The Company conducts annual evaluation scheme on the performance of the Senior Management, by focusing on the evaluation and appraisal on the work performance, personal objective and behaviour as well as teamwork. The remuneration of the Senior Management, including basic salary and performance bonus is determined based on performance evaluations by the Company in the year. The Company values long-term incentives to the Senior Management and has established a share option scheme to grant share options of different quantity to Senior Management members of different levels, with an aim to encourage the Senior Management to pay close attention to results of the Company and promote the mid-term and long-term corporate development on an on-going basis.

Corporate Governance Report

XI. DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors confirm that they have the responsibility for preparation of the financial statements of the Company for the year ended 31 December 2014, in order to truly and impartially report the financial conditions and business results of the Company, and undertake relevant responsibilities for preparation of the financial statements of the Company. The Audit and Risk Management Committee of the Company has reviewed the financial statements of the Company for the year ended 31 December 2014.

With the assistance of the accounting department, the Directors ensure that the financial statements of the Company were prepared in accordance with relevant laws, regulations and applicable accounting standards. The Directors also ensure that the financial statements have been and will be published in due course.

The responsibility statement made by the Company's auditors in respect of the financial statements is set out in the section headed "Independent Auditors' Report" of this annual report.

XII. CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Management Method Regarding the Shareholding of Directors, Supervisors and Senior Management on terms no less exacting than the required standards of securities transaction set out in the Model Code. Relevant employees who are likely to possess inside information in relation to the securities of the Company are also subject to the rules required under such document.

As at 31 December 2014, after making specific inquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors have complied with the relevant codes on securities transactions by Directors and Supervisors as set out in the Model Code and the Management Method regarding Shareholding of Directors, Supervisors and Senior Management of the Company.

XIII. AUDITORS

According to the relevant regulations issued by the Ministry of Finance of the People's Republic of China and the SASAC, there are restrictions on the number of years that an accounting firm can continuously provide financial audit services to a central state-owned enterprise and its subsidiaries. Considering the aforesaid requirements, the Company did not re-appoint Ernst & Young Hua Ming LLP and Ernst &Young as the auditors of the Company in respect of the 2014 financial report of the Company. On 16 June 2014, the appointment of Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu as the Company's domestic auditors and international auditors respectively for the year 2014 was approved at the 2013 annual general meeting of the Company.

In 2014, the Company had paid the auditors an aggregate fee (tax inclusive) of RMB13.10 million, which included advance payments such as business trip costs and communication costs etc. In particular, the audit fees (tax inclusive) paid in respect of financial statements and internal control amounted to RMB10.25 million (of which RMB3.90 million was borne by its subsidiaries) and RMB0.9 million, respectively. In 2014, the Company also paid them RMB1.85 million of fees (tax inclusive) for interim agreed-upon procedures, and RMB0.1 million of fees (tax inclusive) for verification of placement and actual use of the proceeds of the Company.

Investor Relations

In 2014, the Company regarded the management of investor relations as an important strategic measure to increase the Company's value. It constantly strengthened and innovated the management of investor relations and adopted multichannel communication mode for information exchange with investors. Information symmetry between the Company and investors was realised through the continuous improvement of information disclosure system, thus enhancing investors' recognition on the Company's value.

The basic management of investor relations was intensified. On the basis of regular results conferences, organisation of roadshows, investment exchanges, etc., the Company proactively tapped propaganda highlights, established a mechanism for daily communication with investors, heightened media monitoring and the awareness of crisis public relations, maintained the Company's good image in the capital market, and realised profit maximization for investors and shareholders.

(i) A mechanism for daily communication with investors was established to serve as the bridge between the Company and the capital market. Two results conferences were organised elaborately to introduce the Company's operating results to the capital market. In April and August, Zheng Changhong, Chairman of the Company, led a team to hold roadshows for annual report and interim report to narrate the Company's operations, results performance and future development plan and direction to securities analysts and institutional investors, to reiterate the Company's development strategy and to strengthen the Company's confidence in the capital market. The Company regularly collected study reports on relevant national macro-policies, the Company and relevant industries, and collated and excerpted important information for preparation of information for the questions raised by and for share with the Company's investors. In addition, the Company regularly received visits by investors and arranged investors for investigation. In 2014, 72 investor groups visited the headquarters of the Company; besides, the Company arranged 18 investor groups to visit its subsidiaries and organised 32 telephone conferences, and had a total of approximately 1,000 person-time communications with investors, analysts and fund managers throughout the year.

(ii) The Company continued to tap new propaganda highlights to let the capital market fully understand the Company's potential value. On 28 March, as witnessed by Xi Jinping, President of the PRC, and Merkel, Chancellor of Germany, Zheng Changhong, Chairman of the Company, and the president of ZF Friedrichshafen entered into a memorandum on acquisition in Germany. Delivery for the project was successfully completed in September. On 4 July, Li Keqiang, Premier of the State Council of the PRC, enjoying the good reputation of super salesman of high-speed rail, inspected the Company and said that "I will market CSR wherever I go!" Moreover, the Company continually and regularly transmitted the dynamic information of the Company to help investors have a profound understanding of the Company and recognise the Company's excellent investment value.

In the future, the Company will proactively transform the philosophy on management of investor relations, mine the connotation of management of investor relations, and innovate the mode for management of investor relations, so as to brave the challenges with management of investor relations under the "new normal" of economy.

(i) Transform philosophy and change strategy. In the era of Shanghai-Hong Kong Stock Connect, the Company will gradually transform traditional ideas from "information transmitter" into "adviser" and from "ask me to do" by the capital market and regulator into "I want to do". It will learn from global excellent companies and proactively study differentiated communication strategies, communications focuses and channels for investors in Shanghai and Hong Kong to improve the efficiency of management of investor relations.

(ii) Mine connotation and promote capacity. Management of investor relations is an important component of market value management and also a part of the Company's development strategy. The Company attaches great importance to the important role of management of investor relations in the Company's strategy implementation and operational supervision, and introduce and cultivate professional and high end talents for management of investor relations and improve management ability relying on professional, efficient and independent external support.

Investor Relations

(iii) Innovate mode and improve system. With the overseas penetration and widespread transmission of the Company's brand, more and more overseas investors have turned their attention to CSR. The Company will gradually establish a globalized mode for management of investor relations and form a systematic and multi-level system for management of overseas investors through studying on the characteristics and preferences of overseas investors with different cultural backgrounds and language environments.

As at 31 December 2014, the aggregate market value of the Company amounted to RMB92.05 billion.

Part of the awards granted to CSR in 2014 are as follows:

Time	Award	Presenter
January 2014	Second Prize of "National Science and Technology Progress Award (國家科學技術進步獎)"	The State Council
May 2014	2014 "Top 100" Listed Companies in China by Capital Brand Value (2014年度中國上市公司資本品牌"百強")	Sponsored by China study Center for Market Value Management, of Listed companies Tsing Hua PBCSF and Sina.com
June 2014	The Fourth Session of China Management Science Award (中國管理科學獎)	A national science and technology award approved by National Office for Science & Technology Awards, which is awarded once every two years.
June 2014	The Third Session of Award for Top Ten Contributive Enterprises for Building Chinese Self-owned Brands (第三屆中國自主品牌建設十大貢獻企業獎)	Guided by China International Cultural Communication Center and sponsored by China Brand Communication Alliance
June 2014	Ranked the 52nd among the 500 Most Valuable Brand Names in China in 2014 (《2014年中國500最具價值品牌》) and the first in the Machinery Industry. The brand influence of CSR was also evaluated to be "World-class".	Sponsored by the World Brand Lab
July 2014	2013 Annual Report "Vision Award" (2013年年度報告「遠見獎」) awarded by LACP (League of American Communications Professionals), Gold award for Equipment Manufacturing Industries, Bronze award for Enterprise with the Most Potentials for Promotion (最具提升獎銅獎), ranked 38th among the Top 80 Annual Reports in Asia Pacific (亞太區年報80強) and among China Top 20 Annual Reports (中國年報20強)	Organised and rated by League of American Communications Professionals, a world-known institution of marketing research
November 2014	"Award of Special Contribution to Facilitating the Establishment of the Board of the Golden Table Award" (「金圓桌獎」董事會建設特別貢獻獎)	Organized by Board of Directors magazine, guided by China Association for Public Companies and supported by the listed companies associations of various provinces and cities
December 2014	Ten Innovation Samples of China (十大中國創新榜樣)	Launched by China Economic Weekly and China Economic Net

Fulfilling Social Responsibilities

In 2014, CSR strictly adhered to the social responsibility philosophy of "Responsibility, Hand in Hand with Speed." While pursuing economic efficiency and protecting the interests of shareholders, the Company was also keen on protecting the legitimate rights of employees, and treating users and suppliers with integrity. It continuously enhanced the capability of independent innovation and strove to build its own brand and provide comfortable, safe and reliable green products to the society. It promoted resource conservation and environmental protection, actively participated in social charities, and promoted the integrate harmonious development of the Company with the society.

DEVELOPMENT STRATEGY AND SOCIAL RESPONSIBILITY MANAGEMENT

To fulfill social responsibilities is the root of sustainable development of an enterprise and the strategic choice of its scientific development. The Company embed social responsibilities into its development strategy and ordinary operation and considered it the key to better management, with the aim of creating long-term value for interested parties.

The principle of CSR is to provide the most valuable green products to its users and be the world's first-class enterprise with the best social responsibilities and global competitiveness.

The Philosophy of Social Responsibilities of CSR: Responsibility, Hand in Hand with Speed.

Fulfilling Social Responsibilities

We are dedicated to providing safe, comfortable and environmental-friendly products to the society, and continuously refreshing the running speed of railway transportation equipment in China and around the world.

We were willing to achieve a win-win situation with interested parties to promote the development of the rolling stock industry in China and around the world and continuously vitalize economic and social development in China and around the world with responsibility.

CSR respects the principle and requirements of social responsibility such as respecting of the rule of law and the interest of relevant stake-holders, and embeds such principles and requirements in its decision-making and puts them into practice in its operation and management, so as to develop a solid mechanism to grantee its sustainable development.

The Company continuously refines its corporate governance structure and has established a comprehensive internal control and risk management mechanism and gradually improved the various functions of the Company. The general meeting, the Board, the Supervisory Committee and the management team have performed their duties respectively, which together realize the aim to proceduralize the Company's operation's make major decision scientifically, open up its information disclosure and employ effective risk control. The Company had been awarded with the "Award of Special Contribution to Facilitating the Establishment of the Board" (董事會建設特別貢獻獎) in the 10th Gold Round Table Prize of the Boards of Listed Companies (第十屆中國上市公司董事會「金圓桌獎」). It was also enlisted in "Top 100 Listed Companies" in the PRC.

The Company is committed to maintaining an open and transparent operation by initiating a normalized mutual communication mechanism with relevant stakeholders. The Company also strictly complied with the rules regulating listed companies such as implementing regulations as required on information disclosure and ensuring timely and impartial information disclosure. Apart from the normalization of information disclosure, the Company improved investor relations management through various activities such as organizing shareholders' general meeting, results presentations and roadshows of additional stock issue, and various methods such as initializing roadshows, surveys, accepting media interviews and news coverage. These measures continually strengthened external communications and increased investors' understanding and recognition of the Company.

The Company operates in good faith, and is dedicated to improving management quality, continually improving the Company's performance, and creating more value for all shareholders. In the process of operational decision making, the protection of creditors' legitimate rights was of high priority. Any significant information affecting creditors' legitimate rights was disclosed to creditors in a timely manner. The Company also strictly complied with the contract entered into with the creditors in its settlement of debts.

PROVIDING QUALITY AND RELIABLE PRODUCTS THROUGH INDEPENDENT INNOVATION

The mission statement of the Company is to be with a core brand value of being "Reliable, Creative, Global, Transcendent and Green", that creativity is the essence in the pursuit of perfection. The goals are to constantly improve the quality of products and services, actively provide the society with energy efficient and environmental friendly green transportation and equipment products.

The Company continuously optimises and innovates platform construction. CSR Industrial Research Institute (南車工業研究院) operates independently to integrate and allocate scientific and technological resources. The preparatory office for Sino-Thailand High-speed Rail Research Center has been established in Thailand. The Company and a famous German university jointly founded Sino-Germany Center for Associated Research and Development of Rail Transit Technology (中德軌道交通技術聯合研發中心). Besides, the Company took the lead in establishing the International Alliance for Industrial Design of Rail Transit Vehicles (國際軌道交通車輛工業設計聯盟) and China IGBT Technological Innovation and Industry Alliance (中國IGBT技術創新與產業聯盟), and set up the Nondestreetive Testing (NDT) and Training Center (無損檢測與培訓中心) to gather scientific and technological resources and further promote the capacity for independent innovation and guiding innovation. In 2014, the Company's project of "a series of researches and applications of high-power AC driving electric locomotive based on the proprietary technology platform" won the second prize of "National Science and Technology Progress Award (國家科學技術進步獎)"; the Company's "construction of three technology platforms targeted at promoting the overall scientific and technological innovation capacity" was awarded the first prize of National Innovative Achievement of Enterprise Management Modernization (國家級企業管理現代化創新成果); 20 projects of the Company won Science and Technology Award by China Railway Society, of which the project of "160km/h AC driving six-axis rapid electric locomotive for passenger transport" won the special prize.

Combining continuous promotion of product quality and service level, the Company has made great improvement in terms of meeting international standards, so as to enhance the reliability, usability, maintainability and safety of products. Lean management was highlighted and carried out thoroughly in the process of management enhancement. The Company boosted trial construction of "6621 operation management platform" and carried out comprehensive construction of simulated production lines and simulated distribution lines. The rhythmed production mode applying station system was popularized and the Company further constructed and optimised the lean manufacturing mode to improve production efficiency and product quality. The construction of quality management and control system was perfected with the management of product reliability continuously popularized. Advanced design techniques were continually strengthened for popularization and application and the capacity of experimental verification was also improved. In addition, the Company strengthened the management of quality and safety risks and established and perfected emergency response plan system to effectively prevent quality risks. Throughout the year, the Company did not incur any material accident attributable to quality responsibility. By refining the quality risk management system and strengthening standardized after-sale services, the safety and reliability of its railway transport and city rail transportation were guaranteed, ensuring harmony and stability even during the busiest time of Chinese New Year, summer holiday and the Golden Week.

STRENGTHENING SAFE PRODUCTION AND ENVIRONMENTAL-FRIENDLY OPERATION

CSR adheres to manufacture quality green products through safe and environmental-friendly manufacturing methods, so as to foster the sustainable development of the society.

On safe production, the Company assigned the responsibility to safe production subjects and vigorously advanced the construction of lean and safe stations. Staff's safety behaviour was continuously normalized. The major hazard sources were put under strict management and control and continuous efforts were put into supervision over safe production. In 2014, the Company realised the "three zero" safety targets for the first time. No serious injury, fatality or additional occupational disease occurred throughout the year. Under the guideline of streamlining and safety, the Company boosted workstations which are streamlined and safe in an all-round way and enhanced the safety management level for grassroots stations. Furthermore, inspection of management and control and special remediation were organised and performed for important hazard sources including safety base management, crane safety management, fire safety management and casting workplaces to facilitate the promotion of the Company's intrinsic safety. Subsidiaries of the Company also organised and carried out practical drills and desktop exercises for various site emergency plans according to their respective situation and assessed drill effects, so as to increase the sufficiency and operability of emergency plans and improve emergency rescue team's emergency response capacity.

Fulfilling Social Responsibilities

On energy saving and emission reduction, the Company adheres to the guideline of being a "resource efficient and environmental friendly enterprise" and is committed to develop in strategic emerging industries as advocated by the government. On the one hand, it researches and manufacturers high-tech, energy-saving, environmental-friendly and highly effective new products, providing efficient green products and equipment for rolling stock transport. On the other hand, it saves resources and energy in the process of production and operation, strictly adheres to targeted emission, thus meeting the requirements of the national government, the local government and all walks of life. While proactively propelling clean production, the Company also vigorously popularized new energy conservation and environmental protection technologies. No material violation or environmental protection accident happened. A number of subsidiaries won Award for Enterprises Contributing to Energy Conservation and Emission Reduction (節能減排企業貢獻獎), Award for Scientific and Technological Progress of Energy Conservation and Emission Reduction (節能減排科技進步獎), and Award for Invention of Energy Conservation and Emission Reduction Technology (節能減排技術發明獎) awarded by China Energy Conservation Association.

The Company leads the trend of high-end rolling stock development with avant-garde technology that is green and energy saving, and provides more green products that are more environmental-friendly to the society, among which high-speed MUs, new rapid transit vehicles, energy-storing light rail vehicles, 100% low-floor trams, maglev trains, permanent magnetic motors, IGBT and electric automobiles are representative products. In 2014, the 8-inch IGBT professional chip line, the first in the PRC and the second in the world, was constructed and put into production, really achieving localization of IGBT and breaking the monopoly of overseas companies in respect of high-end IGBT chip technology, which is of great strategic significance for guaranteeing the safety of national economy and promoting the construction of resource-economical and environment-friendly society. As at the end of 2014, the Company had sold over 6,000 fuel efficient and new energy vehicles developed by the Company and the accumulated running mileage of complete vehicles exceeded 1,200 million kilometres, and the actual operation and energy saving rate was maintained above 30%.

SAFEGUARDING STAFF'S INTERESTS AND PROVIDING ROOM FOR GROWTH OF STAFF

The people-oriented concept is one of the core philosophies of CSR. The Company proactively builds platform for employees to achieve their personal values, creates favorable working environment and fosters room for career growth for employees, thus allowing every employee to share success with CSR.

The Company also attaches importance to staff training and career planning. Leveraging the CSR University and external professional institutions, it organised and implemented key trainings for international talents, outstanding leadership, development leadership, core talents, marketing, comprehensive management, shift leaders, senior skilled talents, etc. Throughout the year, the total number of trained staff reached 226,000 person-times. At the "ARC Cup" International Welding Competition, the Company's team ranked the second in respect of team total score, and robot welding and MIG/MAG welding won a gold prize respectively.

Fulfilling Social Responsibilities

The Company strictly complies with national laws and regulations and safeguards staff's legal interests according to law, to proactively create a harmonious and stable labour relation. Starting from the perspective of caring staff, the Company proactively safeguards staff's legal interests in terms of occupational safety and health. Subsidiaries of the Company implement the scheme in which each department takes full responsibility for safe production of a specific section and carry out inspection of safe production by a team to solve grassroots security issues and improve staff's satisfaction for safety. "A speech on safety before each shift" and inspection tour of safety by staff representative are the major forms for giving full play to the role of labour protection and supervision inspector and continuously carrying out the activities of ensuring safety by the masses. The "three caring and three promises" activity has been carried out solidly, striving to handle practical, good and difficult affairs for staff. In 2014, 2 staff of the Company won "National 5.1 Labor Medals", 1 staff was awarded national "Top Ten Most Beautiful Staff (十大最美職工)" and 1 staff was rated as a National Self-motivated Model (全國自強模範). The Company organised and established 70 "Labour Model Innovation Studios" of subsidiary level or above, of which Li Qiong and Zhang Suli Labour Model Innovation Studios elected as the first batch of "National Demonstrative Labour Model Innovation Studios (全國示範性勞模創新工作室)", generating a singificant social influence.

PROMOTING HARMONY AND POSITIVE ENERGY AS CORPORATE CITIZEN

The Company continues to focus on the livelihood with active participation in the social charity course. The subsidiaries of the Company actively participated in the local charity activities and supported the education, poverty relief and other charity course in the regions where they are situated. In light of the poverty relief efforts in particular areas, the Company was awarded the title of Advanced Unit by SASAC of the State Council.

In 2015, CSR will face more challenges and opportunities in respect of transformation and upgrades. The Company will make continuous efforts to develop itself into the world's top notch enterprise with the best social responsibilities and global competitiveness. CSR will continue to consider innovation its key responsibility in steering a sustainable path for the enterprise. It will aspire to provide the society with comfortable, safe, reliable and environmental-friendly products as well as quality services. It will contribute to promoting green transportation around the globe, and render greater economic, social and environmental comprehensive values to stakeholders including the government, staff, clients, communities and peers.

Changes in Shares and Particulars of Shareholders

I. CHANGES IN SHARES CAPITAL

(i) Changes in shares

Unit: share

	Before change		Increase/ decrease (+/-)	After change	
	Quantity	Percentage (%)	Changes of shares subject to trading moratorium	Quantity	Percentage (%)
I. Shares subject to trading moratorium	1,662,103,700	12.04	-300,000,000	1,362,103,700	9.87
Of which: State-owned legal person shares	1,662,103,700	12.04	-300,000,000	1,362,103,700	9.87
II. Shares not subject to trading moratorium	12,140,896,300	87.96	+300,000,000	12,440,896,300	90.13
1. Ordinary shares denominated in RMB	10,116,896,300	73.29	+300,000,000	10,416,896,300	75.47
2. Overseas listed foreign shares	2,024,000,000	14.67	—	2,024,000,000	14.66
III. Total number of shares	13,803,000,000	100.00	—	13,803,000,000	100.00

During the reporting period, there was no change in the total shares or share capital structure of the Company.

(ii) Changes in shares subject to trading moratorium

Unit: share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the year	Number of share released from trading moratorium in the year	Number of additional shares subject to trading moratorium in the year	Number of shares subject to trading moratorium at the end of the year	Reason for trading moratorium	Release date of trading moratorium
Account No. 2 of the National Council for Social Security Fund (全國社會保障基金理事會轉持二戶)	300,000,000	300,000,000	—	—	Transfer	18 August 2014
CSRG	1,362,103,700	—	—	1,362,103,700	Non-public issue of A shares	15 March 2015
Total	1,662,103,700	300,000,000	—	1,362,103,700	—	—

II. ISSUE AND LISTING OF SECURITIES

(i) Issue of securities during last three years at the end of the reporting period

Unit: share Currency: RMB

Type of shares and derivative equities	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Number of shares permitted to be traded	Date of release of trading moratorium
Share						
A share	15 March 2012	4.46元	1,963,000,000	15 March 2012	1,963,000,000	—
Corporate bonds						
Corporate bond	22 April 2013	4.7%	1,500,000,000	7 May 2013	1,500,000,000	22 April 2018
Corporate bond	22 April 2013	5%	1,500,000,000	7 May 2013	1,500,000,000	22 April 2023

In March 2012, pursuant to CSRC's Reply Letter in Relation to the Approval on the Non-public Issue of Shares by CSR Corporation Limited, CSR was granted the approval on the non-public issue of 1,963 million A shares by the Company to not more than ten target objects. On 15 March 2012, the Company completed the above share registration in relation to the non-public issue with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司上海分公司).

On 22 April 2013, the Company issued corporate bonds amounted to RMB3 billion, with maturity of five years and ten years, among which, corporate bonds with maturity of five years amounted to RMB1.5 billion. The interest rate was 4.7% and the maturity date will be 22 April 2018. Corporate bonds with maturity of ten years amounted to RMB1.5 billion. The interest rate was 5% and the maturity date will be 22 April 2023. On 7 May 2013, the aforementioned corporate bonds were traded on SSE.

(ii) Existing internal employee shares

The Company has no internal employee shares.

III. PARTICULARS OF SHAREHOLDERS AND ULTIMATE CONTROLLER

(i) The number of shareholders and their shareholdings

1. Total number of shareholders

Total number of shareholders as at the end of the Reporting Period *(shareholder)*	269,788, including 267,364, holders of A shares and 2,424 holders of H shares
Total number of shareholders as at the end of the fifth trading day (24 March 2015) before the disclosure date of the annual report for A shares *(shareholder)*	553,995, including 551,699 holders of A shares and 2,296 holders of H shares

Changes in Shares and Particulars of Shareholders

2. Shareholdings of the top ten shareholders

Unit: share

Name of Shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of shares held	Change during the reporting period	Number of shares subject to trading moratorium	Number of shares pledged or frozen
CSRG	State-owned legal person	56.48	7,796,321,142	—	1,362,103,700	Nil
HKSCC NOMINEES LIMITED	Overseas legal person	14.62	2,017,436,839	-35,000	—	Unknown
China Construction Bank - Great Wall Brand Selective Stock Investment Fund (中國建設銀行 — 長城品牌優選股票型證券投資基金)	Other	0.85	117,349,804	-9,565,611	—	Unknown
National Social Security Fund 503 (全國社保基金五零三組合)	Other	0.69	95,294,700	41,483,100	—	Unknown
CSR Capital Company	State-owned legal person	0.67	93,085,715	—	—	Nil
CSOP Asset Management Limited /CSOP FTSE CHINA A50ETF (南方東英資產管理有限公司 — 南方富時中國A50ETF)	Other	0.43	58,935,047	58,935,047	—	Unknown
National Social Security Fund 113 (全國社保基金一一三組合)	Other	0.42	58,187,500	58,187,500	—	Unknown
Bank Negara Malaysia	Other	0.38	52,868,490	36,735,303	—	Unknown
National Social Security Fund 414 (全國社保基金四一四組合)	Other	0.38	52,786,300	52,786,300	—	Unknown
Shanghai Chongyang Strategic Investment Co.,Ltd. - Chongyang Strategic Smart Fund (上海重陽戰略投資有限公司 — 重陽戰略聚智基金)	Other	0.37	51,010,023	51,010,023	—	Unknown

Notes: (1) H Shares held by HKSCC NOMINEES LIMITED were shares held on behalf of various customers.

(2) CSR Capital Company is a wholly-owned subsidiary of CSRG. Save as the above, the Company is not aware of any connection among such other shareholders nor aware of any parties acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies.

3. Shareholding of the top 10 holders of shares not subject to trading moratorium

Unit: share

Name of Shareholder	Number of shares not subject to trading moratorium held	Type and number of shares	
CSRG	6,434,217,442	Ordinary shares denominated in RMB	6,434,217,442
HKSCC NOMINEES LIMITED	2,017,436,839	Overseas listed foreign shares	2,017,436,839
China Construction Bank — Great Wall Brand Selective Stock Investment Fund (中國建設銀行 — 長城品牌優選股票型證券投資基金)	117,349,804	Ordinary shares denominated in RMB	117,349,804
National Social Security Fund 503 (全國社保基金五零三組合)	95,294,700	Ordinary shares denominated in RMB	95,294,700
CSR Capital Company	93,085,715	Ordinary shares denominated in RMB	93,085,715
CSOP Asset Management Limited — CSOP FTSE CHINA A50ETF (南方東英資產管理有限公司 — 南方富時中國A50ETF)	58,935,047	Ordinary shares denominated in RMB	58,935,047
National Social Security Fund 113 (全國社保基金一一三組合)	58,187,500	Ordinary shares denominated in RMB	58,187,500
Bank Negara Malaysia	52,868,490	Ordinary shares denominated in RMB	52,868,490
National Social Security Fund 414 (全國社保基金四一四組合)	52,786,300	Ordinary shares denominated in RMB	52,786,300
Shanghai Chongyang Strategic Investment Co.,Ltd. — Chongyang Strategic Smart Fund (上海重陽戰略投資有限公司 — 重陽戰略聚智基金)	51,010,023	Ordinary shares denominated in RMB	51,010,023

Connections or parties acting in concert among the aforesaid shareholders	CSR Capital Company is a wholly-owned subsidiary of CSRG. Save for the above, the Company is not aware of any connections among the other shareholders above, nor aware of any parties acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies.

Changes in Shares and Particulars of Shareholders

4. Shareholdings of the top 10 holders of shares subject to trading moratorium and the terms of the trading moratorium

Unit: share

			Release of trading moratorium		
No.	Name of holders of shares subject to trading moratorium	Number of shares subject to trading moratorium held	Release date of the trading moratorium	Number of shares released from trading moratorium	Terms of the trading moratorium
1	CSRG	1,362,103,700	15 March 2015	1,362,103,700	Not transferable within 36 months from 15 March 2012

Connections or parties acting in concert among the aforesaid shareholders: Nil

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

1. As at 31 December 2014, the following Directors and Supervisors have interests in the A Shares and H Shares of the Company and relevant details are set out as follows:

Name	Position	Purchase date	Class of shares purchased	Number of shares purchased
Zheng Changhong	Chairman, Executive Director	12 August 2011	A Shares	60,000
Liu Hualong	Executive Director, President	12 August 2011	A Shares	50,000
Fu Jianguo	Executive Director, former Vice President	12 August 2011	A Shares	50,000
Zhao Jibin	Former Independent non-executive Director	16 August 2011	A Shares	30,000
Yang Yuzhong	Former Independent non-executive Director	12 August 2011	A Shares	30,000
Chen Yongkuan	Former Independent non-executive Director	12 August 2011	A Shares	34,100
Dai Deming	Former Independent non-executive Director	17 August 2011	A Shares	30,000
Tsoi, David	Former Independent non-executive Director	8 August 2011	H Shares	50,000
Wang Yan	Chairman of the Supervisory Committee	15 August 2011	A Shares	30,000
Qiu Wei	Employee representative Supervisor	15 August 2011	A Shares	30,000

2. On 27 April 2011, the Board resolved to grant A share options to certain Directors and senior management under the share option scheme adopted by the Company on 26 April 2011. Details of the A share options granted to Directors are set out in the section headed "Directors, Supervisors, Senior Management and Staff — Share Incentive Scheme Granted to Directors, Supervisors and Senior Management During the Reporting Period".

Save as disclosed above, as at 31 December 2014, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code by the Directors or Supervisors.

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

As at 31 December 2014, the persons set out in the table below had an interest or short position in the Company's shares as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholders	Capacity	H Shares or A Shares	Nature of Interest	Number of H shares or A shares held	Percentage of H shares or A shares held in the total issued H shares or total issued A shares *(%)*	Percentage of total share capital of the Company *(%)*
CSRG	Beneficial owner	A Shares	Long position	7,796,321,142	66.19	56.48
	Interest of corporation controlled by the substantial shareholder	A Shares	Long position	93,085,715	0.79	0.67
JPMorgan Chase & Co.	Beneficial owner/Investment manager/Custodian-corporation/Approved lending agent	H Shares	Long position	259,914,613	12.84	0.25
	Beneficial owner		Short position	22,735,743	1.12	0.02
	Custodian-corporation/Approved lending agent		Lending pool	194,188,481	9.59	0.19
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	129,357,167	6.39	0.12
	Interest of corporation controlled by the substantial shareholder		Short position	6,220,000	0.31	0.01
Templeton Investment Counsel, LLC	Investment manager	H Shares	Long position	121,763,300	6.02	0.12
Plowden Charles	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	101,793,000	5.03	0.10
Allianz SE	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	101,319,000	5.01	0.10

Notes:

(1) CSRG holds 93,085,715 A shares of the Company through its wholly-owned subsidiary, CSR Capital Company (中國南車集團投資管理公司).

(2) Except for the holding of the 7,796,321,142 shares by CSRG and the proportion details, other information disclosed hereby is based on the information available on the website of the Hong Kong Stock Exchange at www.hkex.com.hk.

Changes in Shares and Particulars of Shareholders

Save as disclosed above, as far as the Directors are aware, as at 31 December 2014, no other person had interests and/or short positions in the shares or underlying shares (as the case may be) of the Company which were required to be recorded in the register pursuant to section 336 of Part XV of the SFO, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

IV. PARTICULARS OF CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER

(i) Controlling shareholder

1. Legal Person

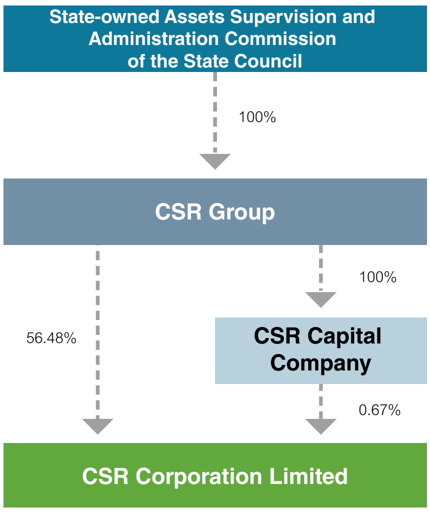
Unit: RMB'0,000

Name:	CSRG
Legal representative:	Zheng Changhong
Establishment date:	2 July 2002
Organisation code:	710929922
Registered capital:	926,182.2
Principal operations:	Design, manufacture and repair of rail vehicles, rapid transit vehicles, electrical and mechanical equipment and components, electronic and electric appliance, and environmental protection related products; equipment leasing; sales of the above related products; technical services and information consulting; industrial investment; assets entrusted management; import and export business; construction equipment installation; sales of chemical materials (excluding dangerous chemicals), and building materials.
Future development strategy:	During the "Twelfth Five-Year" period, it will pool more resources into scientific research and establish a sound, internationally advanced system that brings together studies of industry development, product research and development, design and production and manufacturing, in a bid to becoming a highly renowned brand worldwide. Its goal in the mid to long term is to be a comprehensive rolling stock solutions supplier with international competitive advantages, being an eco-friendly, large-scale, comprehensive and highend manufacturing and service enterprise focusing on production and financing integration and cross-sector development with a high level of internationalisation. It is aiming to become a leading enterprise among its international peers.
Equity interest in other controlling and investee companies listed in the PRC or overseas during the Reporting Period:	It holds 42.64% of the equity interest of South Huiton Co., Ltd. (南方匯通股份有限公司) (stock code 000920).
Other explanatory statements:	Nil

(ii) Ultimate controller

1. The ultimate controller of the Company is State-owned Assets Supervision and Administration Commission of the State Council.

2. Framework of ownership and controlling relationship between the Company and the ultimate controller



V. OTHER CORPORATE SHAREHOLDERS WITH OVER 10% SHAREHOLDINGS

There were no other corporate shareholders holding over 10% shares of the Company as at the end of the reporting period.

VI. SUFFICIENT PUBLIC FLOAT

As at the latest practicable date prior to the printing of this annual report, according to all public information and as far as the Directors are aware, the Directors believe that the Company has sufficient public float which satisfies the minimum public float requirement under Rule 8.08 of the Hong Kong Listing Rules.

VII. PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the year ended 31 December 2014, the Company did not purchase, sell or redeem any of the Company's securities.

Significant Events

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

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

The Company published annoucements in repsect of the media news report on the matters concerning the merger of CSR and CNR on the SSE and the Hong Kong Stock Exchange on 5 September 2014 and 13 January 2015, respectively.

For information on the merger of CSR, please refer to "I. Discussion and Analysis of the Board on the Operations of the Company during the Report Period — (ii) Analysis of main business — 6. Others" of the Report of Directors in this report.

II. MATTERS RELATED TO BANKRUPTCY AND REORGANISATION

There were no events relating to bankruptcy or reorganisation in the Company during the year.

III. MATTERS RELATED TO ASSETS TRANSACTIONS AND ENTERPRISES MERGER

(i) Asset acquisitions

The Company was not involved in any significant asset acquisition during the year.

(ii) Asset disposals

The Company was not involved in any material asset disposal during the year.

(iii) Asset swap

The Company was not involved in any asset swap during the year.

(iv) Enterprises merger

1. Please refer to Note 38 to the financial statements prepared under IFRS in this annual report for details of the Company's enterprises merger.

2. For information on the merger of CSR and CNR, please refer to " I. Discussion and Analysis of the Board on the Operations of the Company during the Reporting Period — (ii) Analysis of main businesses — 6. Others" of the Report of Directors in this report.

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

In order to enhance the Company's capability to attract, motivate and retain its senior management and key employees, including certain Directors, and to closely align the interests of such personnel with the interests of the Company and the Shareholders, it is important that the Company provides such personnel with further incentives by offering them an opportunity to obtain an ownership interest in the Company. Such incentives would create more value for the Company and its Shareholders by maximizing the enthusiasm of such personnel and bring their initiatives into full play. Pursuant to its Share Option Scheme, the Company may grant A Share options to the Directors and senior management of the Company, as well as the core technical (management) personnel deemed by the Company as necessary to be incentivized when the grant conditions are fulfilled.

Significant Events

With the approvals of the Board, the supervisory committee, shareholders general meeting, A Shareholders' Class Meeting and H Shareholders' Class Meeting, the opinion expressed by independent directors, the consent in principle of SASAC and the consent of CSRC, the Company adopted the Share Option Scheme. Only one grant of Options was made pursuant to the Share Option Scheme, after which no further grants will be made under the same Share Option Scheme. The total number of A Shares to be issued upon exercise of all Share Options granted under the Share Option Scheme must not in aggregate exceed 10% of the total issued A Shares as at the approval date of the Share Option Scheme. The Company has granted 36,605,000 share options on 27 April 2011, representing (i) approximately 0.374% of the total issued A shares of the Company and approximately 0.310% of the total issued shares of the Company, respectively, as at the approval date of the Share Option Scheme; (ii) approximately 0.311% of the total issued A shares of the Company and 0.265% of the total issued shares of the Company, respectively, as at the date of this annual report which were within the upper limit of grantable share options under the Share Option Scheme. Unless specifically approved by the Shareholders at a general meeting of the Company, the aggregate number of A Shares to be acquired by any one Grantee through the Share Option Scheme and other effective share option schemes of the Company (if any) at any time shall not exceed 1% of the total A Shares in issue, and the maximum entitlement to be granted to any one Grantee (including the exercised, cancelled and outstanding Options) within any 12-month period shall not exceed 1% of the total A Shares in issue. The grant date of the share options under the Share Option Scheme is 27 April 2011. As at 29 April 2011, the Company has signed the "Share Option Grant Agreement" with all the 327 grantees to grant a total of 36,605,000 share options and the grant of share option has been completed. Pursuant to the Share Option Scheme, the share options are not exercisable within two yeas (24 months) commencing from the grant date of 27 April 2011. Upon expiry of the two-year period, the granted share options shall be exercisable in three separate batches, provided that all effective conditions stipulated under the Share Option Scheme are met. The exercise price of the share options granted was set by the board of directors to be the higher of: (i) the closing price of the A Shares on the trading day immediately preceding the date of the Announcement of Draft Summary of Share Option Scheme (i.e. 28 September 2010), which was RMB5.43; and (ii) the average closing price of the A Shares for the 30 trading days immediately preceding the date of the Announcement of Draft Summary of Share Option Scheme, which was RMB5.25. Accordingly, the exercise price of the share options granted was set at RMB5.43.

In accordance with relevant requirements of the terms of Share Option Scheme of the Company, subject to fulfilment of certain conditions, each Participant may exercise up to 1/3 of the total Share Options granted during the first exercisable period, which shall commence on the first trading day after the expiration of the 24-month period following the Grant Date and shall end on the last trading day preceding the expiration of the 60-month period following the Grant Date. As the 2012 annual results of the Company failed to achieve the required growth rate of the revenue under the Share Option Scheme, the first batch of Share Options did not become effective. In accordance with certain terms and requirements of the Share Option Scheme, the Company cancelled the 12,201,667 share options which did not satisfy the conditions on 27 April 2013. Pursuant to the requirements of relevant terms of the Share Option Scheme of the Company, subject to fulfillment of certain effective conditions, each participant may exercise up to 1/3 of the total share options granted during the second exercisable period, which shall commence on the first trading day after the expiration of the 36-month period following the grant date and shall end on the last trading day preceding the expiration of the 72-month period following the grant date. As the 2013 annual results of the Company failed to achieve the required revenue growth rate under the Share Option Scheme, the second batch of share options did not become effective. Pursuant to the requirements of relevant terms of the Share Option Scheme, on 28 April 2014, the Company cancelled the share options not becoming effective totaling 12,636,787 shares. As at the end of the reporting period, the number of share options which have been granted by CSR but not yet become effective is 11,766,546.

The third batch of share options will be exercisable from 27 April 2015 subject to satisfaction of the preset performance target of the Company and the Participants. For details of the performance targets and requirements, please refer to the circular of the Company dated 8 March 2011. The Company shall further disclose the exercise of options as appropriate.

Significant Events

On 20 January 2015, the Resolution in Relation to the Termination of the Share Option Scheme of CSR Corporation Limited was considered and approved at the 8th meeting of the 3rd session of the Board and the 6th meeting of the 3rd session of the supervisory committee of the Company respectively. Pursuant to the reolution, it was approved that in order to secure smooth progress for the merger of the Company and CNR, the Company intends to terminate the Share Option Scheme conditional upon the completion of the Merger, based on the demands for the Merger and in accordance with the relevant requirements and implementation progress of the Share Option Scheme. The independent directors of the Company have expressed their consent to this resolution. All participants of the Share Option Scheme have confirmed in writing to the Company and agreed to surrender the Share Options which have been granted but not yet become effective under the Share Option Scheme conditional upon the completion of the Merger.

On 9 March 2015, the general meeting, the A Shareholders' class meeting and the H Shareholders' class meeting of the Company approved the Termination of the Share Option Scheme conditional on the completion of this merger.

Unit: Share

Incentive method	Share options
Source of subject shares	Issue of shares to the participants
Scope of participants during the reporting period	Directors, senior management, and core technical (management) personnel deemed by the Company as necessary to be incentivized, but excluding the independent Directors, supervisors of the Company, substantial shareholders holding more than 5% issued shares of the Company and the ultmate controller of the Company, together with their respective spouses and immediate close relatives.
Total granted equity during the reporting period	0
Total exercised equity during the reporting period	0
Total cancelled equity during the reporting period	12,636,787
Total granted but outstanding equity at the end of the reporting period on cumulative basis	11,766,546
Total granted and exercised equity at the end of the reporting period on cumulative basis	0
Adjustments to grant price and exercise price during the reporting period and latest grant price and exercise price after such adjustments	The grant price and exercise price of the Share Options is the closing price of the Shares of the Company on the trading day immediately preceding the date of the Share Option Scheme Draft Summary Announcement, i.e. RMB5.43/share. As at the end of the reporting period, no adjustment was made to the grant price and exercise price.

Grant and Exercise of Interest of Directors and Senior Management During the Reporting Period

Name	Position	Number of outstanding equity at the beginning of the reporting period	Number of granted equity during the reporting period	Number of exercised equity during the reporting period	Number of canceled equity during the reporting period	Number of outstanding equity at the end of the reporting period
Zheng Changhong	Chairman, Executive Director	133,333	0	0	66,667	66,666
Liu Hualong	Executive Director, President	113,333	0	0	56,667	56,666
Fu Jianguo	Executive Director	113,333	0	0	56,667	56,666
Zhang Jun	Vice President	113,333	0	0	56,667	56,666
Zhan Yanjing	Vice President, Chief Financial Officer	113,333	0	0	56,667	56,666
Wang Jun	Vice President	94,267	0	0	47,133	47,134
Lou Qiliang	Vice President	94,267	0	0	47,133	47,134
Xu Zongxiang	Vice President	94,267	0	0	47,133	47,134
Zhang Xinning	Chief Engineer	100,000	0	0	50,000	50,000
Shao Renqiang	Secretary to the Board, Chief Economist	100,000	0	0	50,000	50,000
Subtotal		1,069,466	0	0	534,734	534,732
Subtotal of other participants		23,333,867	0	0	12,102,053	11,231,814
Total		24,403,333	0	0	12,636,787	11,766,546

Significant Events

Validity period and exercise period of the share options	The validity period of the share options is a term of 7 years commencing from the date on which the share options are granted. Upon expiry of the 2-year lock-up period commencing from the date on which the share options are granted, subject to the fulfilment of all conditions, the share options shall become exercisable in three separate batches, each with an exercise period of three years after 24 months, 36 months and 48 months respectively commencing from the date on which the share options are granted.
Equity changes arising from exercise by participants	There was no equity change due to exercise by any participant.
Measurement of fair value of equity instrument	The Company adopts the Black-Scholes option pricing model as the equity instrument to measure the fair value of the share options.
Valuation model, parameters and selection criteria	Valuation model: Black-Scholes option pricing model Parameters selection criteria: Exercise price of share options: RMB5.43/share. Stock market price on grant date: RMB7.09/share. 27 April 2011 is the grant date. Estimated term of share options: 5-7 years. Estimated share price volatility: 52.68%-56.51% Estimated bonus yield rate: 0.60% Risk-free interest rate: 3.481%-3.694%
Apportion period and result for fair value of equity instrument	Based on the selection of aforesaid parameters: the fair value of share options calculated with the Black-Scholes option pricing model formula was RMB151,009,745. As the second batch of exercisable share options did not become effective in 2014, the Company reversed the second batch of exercisable share options of RMB44,415,980 recognised in previous years. In the meantime, it recognised the third batches of share option of RMB13,036,573. The calculation result of the share option value is based on certain assumptions of the parameters adopted and restricted by the model. Therefore, the valuation of the share options might be subjective and inconclusive.

V. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(i) Trusts, contracts and lease arrangements

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

(ii) Guarantees

Currency: RMB

Guarantees provided by the Company to external parties (excluding guarantees provided by the Company in favour of its subsidiaries)	
Total guarantee amount provided during the reporting period (excluding guarantees provided by the Company in favour of its subsidiaries)	0
Total guarantee balance at the end of the reporting period *(A)* (excluding guarantees provided by the Company in favour of its subsidiaries)	0
Guarantees provided by the Company in favour of its subsidiaries	
Total guarantee amount provided to the Company's subsidiaries during the reporting period	9,285,997,668
Total guarantee balance provided to the Company's subsidiaries at the end of the reporting period *(B)*	10,199,666,458
Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries)	
Total guarantee amount *(A+B)*	10,199,666,458
Percentage of total guarantee amount to net assets of the Company *(%)*	25.18
including:	
Provision of guarantee to shareholders, ultimate controller and their respective connected persons *(C)*	0
Amount of guarantees directly or indirectly provided in favour of parties with gearing ratio over 70% (D)	7,108,292,907
The total amount of guarantees provided which exceeds 50% of the net asset *(E)*	0
Total amount of the three above-stated guarantees *(C+D+E)*	7,108,292,907

Note: Percentage of total guarantee amount to net assets of the Company equals the ratio of the guarantee amount over equity attributable to owners of the Company.

Significant Events

During the reporting period, total guarantee amount provided by the Company in favour of its subsidiaries was RMB9,286 million. As at 31 December 2014, total guarantee balance was RMB10,200 million, representing 25.18% of the Company's net assets. Out of such guarantee balance, RMB5,720 million and RMB4,480 million were provided to the Company's wholly-owned subsidiaries and non wholly-owned subsidiaries respectively. As far as guarantee type is concerned, RMB5,282 million was provided for bank acceptance drafts, RMB3,476 million was provided for loans and medium-term notes, and RMB1,442 million was provided for letters of guarantee , letters of credit and credit facilities, etc.

As at the end of the reporting period, the Company did not provide any guarantees in favour of its controlling shareholders, ultimate controller and their related parties; all guarantees provided by the Company were in favour of its subsidiaries. As at the end of the reporting period, the guarantee balance provided by the Company in favour of its subsidiaries with gearing ratio over 70% was RMB7,108 million. Approval procedures have been complied with at the Board meetings and the general meetings as required by the Articles of Associations in respect of the guarantees provided by the Company in favour of its wholly-owned and non wholly-owned subsidiaries with gearing ratio over 70%.

(iii) Other Material Contracts

During the reporting period, the Company signed several material sales contracts. Please refer to announcements of the Company dated 2 January, 18 March, 5 June, 10 June, 29 July and 22 October 2014 published on the websites of the SSE and the Hong Kong Stock Exchange for details.

VI. PERFORMANCE OF UNDERTAKINGS

Undertakings by the listed Company, shareholders with more than 5% of shareholding in the Company, controlling shareholder and ultimate controller during or up to the reporting period

(I) **The non-competition undertakings are as follows**

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

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

(II) **The undertaking made in respect of restructuring of South Huiton is as follows**

The Company disclosed in its prospectus that in order to avoid competition between the freight wagon manufacturing business of South Huiton and the business of the Company, CSRG, the controlling shareholder of the Company, undertakes that there should be a restructuring in CSRG's shareholdings and relevant assets in South Huiton. This includes but is not limited to CSRG's acquisition of South Huiton's assets in relation to the freight wagon businesses. CSRG will transfer the abovementioned assets in relation to the freight wagon businesses acquired from South Huiton to the Company within three months from the date of acquisition of such assets. The transfer price will be determined through negotiation based on the result of the assets valuation. The above transfer of assets is subject to necessary review procedures pursuant to the requirements of the domestic and overseas regulatory bodies.

In January 2011, the Company received from CSRG, the controlling shareholder of the Company, the letter regarding the undertaking made by CSRG in respect of restructuring of South Huiton. Relevant details are as follows: 1. CSRG confirms that it designates the Company as its sole platform for its research and development, manufacturing, sale, repair and leasing of locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key components as well as other businesses that utilise proprietary rolling stock technologies; 2. CSRG plans to, in five years or so, dispose of its equity interest in South Huiton by way of merger and acquisition of assets and/or reorganization and/or other means, and CSRG may transfer the acquired assets which relate to the freight wagons business to the Company after acquiring the relevant assets of South Huiton.

Performance of undertakings: on 1 July 2014, CSRG launched the restructure proposal for South Huiton. The shares of South Huiton had been suspended on 19 Sepetember; the Board of South Huiton approved the restructure proposal on 28 November; the shareholders general meeting of South Huiton considered and approved the restructure proposal on 19 December; the assets transfer under the restructure proposal was completed on 31 December; thus CSRG fulfilled its undetaking to restructure South Huiton and the business competition between the Company and South Huiton was successfully resolved. For details of the restructure, please refer to the relevant announcements of South Huiton and the Company respectively.

(III) **Undertaking on property ownership issues**

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

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

(IV) **Other undertakings**

1. CSRG undertook to voluntarily subject the 6,422,914,285 tradable shares it holds in the Company, which have been relieved from the previous trading moratorium on 18 August 2011, to another three-year lock-up period (i.e. from 18 August 2011 to 17 August 2014) commencing from 18 August 2011. During the lock-up period, such shares held by CSRG shall not be sold or transferred through the SSE. On 17 August 2014, the aforesaid voluntary lock-up period for CSRG had expired.

2. During the non-public issue of shares by the Company in 2012, CSRG undertook that the 1,362,103,700 shares of the Company subscribed by CSRG could not be transferred within 36 months from the completion date of such issue.

During the reporting period, CSRG complied with all the foregoing undertakings.

VII. PUNISHMENTS AND RECTIFICATIONS OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS WITH MORE THAN 5% OF SHAREHOLDING IN THE COMPANY, ULTIMATE CONTROLLER AND OFFEROR

During the year, none of the Company, its Directors, supervisors, senior management members, shareholder or ultimate controller was subject to any investigation, administrative punishment or criticism by CSRC or any public condemnation by any stock exchanges.

VIII. NOTES ON OTHER MATERIAL EVENTS

(i) Consolidation of the accounts of BST

On 25 December 2014, CSR Sifang Ltd., a subsidiary of the Company, and foreign shareholder of BST, a joint venture of CSR Sifang Ltd., signed the amendments to the articles of association of BST with effect from 1 January 2015, pursuant to which, CSR Sifang Ltd. obtained contorl over BST and BST became a subsidiary from a joint venture. Thus, BST will be consolidated in the accounts of the Group starting from 1 January 2015.

(ii) Acquisition by Times New Material

The Company convened the thirtieth meeting of the second session of the Board on 11 December 2013, in which the Resolution in relation to the Merger and Acquisition Project by Times New Material Germany, a subsidiary of the Company (《關於公司下屬企業時代新材德國併購項目的議案》) was considered and passed, agreeing Times New Material, an indirectly non-wholly-owned subsidiary of the Company, to enter into an Acquisition Agreement with the part(ies) of the transaction in relation to the acquisition of relevant rubber and plastics businesses under ZF Group. On 11 December 2013, Times New Material, CSR Rubber & Plastics (Germany) GmbH (the project company established for the acquisition, which Times New Material indirectly holds 100% of its shares) and ZF Group entered into a Master Purchase Agreement. Pursuant to the agreement, the total value of the target asset is EUR290 million (as a base sum, which is subject to adjustment in accordance with the net liabilities and operating fund of the target assets as at the agreed effective date of the agreement). For details, please refer to the announcements of the Company dated 12 December 2013 disclosed on the websites of SSE and the Hong Kong Stock Exchange.

On 28 March 2014, local time, in Germany, the Company and Times New Material signed a cooperation memorandum with ZF Friedrichshafen AG on Times New Material's acquisition of the rubber and plastics businesses under ZF Friedrichshafen AG in Berlin, Germany, under which, the parties confirmed the provisions of the master purchase agreement such as purchase price, closing conditions, closing place and closing method, etc. The transaction terms listed in the memorandum are the same as those provided for under the master purchase agreement. For details, please refer to the announcements of the Company dated 1 April 2014 disclosed on the websites of SSE and the Hong Kong Stock Exchange. The audit work in respect of the aforesaid transactions had been completed and the Company had disclosed such audited financial data. For details, please refer to the announcements of the Company dated 22 May 2014 disclosed on the websites of SSE and the Hong Kong Stock Exchange.

(iii) Acquisition of deepsea robots business by Times Electric

On 5 February 2015, Times Electric (a subsidiary of the Company) entered into an agreement with the shareholders of SPECIALIST MACHINE DEVELOPMENTS (SMD) LIMITED ("SMD Limited") and SMD Investment (a subsidiary of SMD Limited), pursuant to which Times Electric shall purchase the entire equity interest of SMD Limited and entire equity interest of Bywell Holdings Limited through SMD Investment. The maximum amount of consideration is GBP108,300,000 (equivalent to approximately RMB1,011,879,390).

INDEPENDENT AUDITOR'S REPORT

To the shareholders of CSR Corporation Limited
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of CSR Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 114 to 228, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
Revenue	6	**117,919,986**	97,655,003
Cost of sales	7	**(93,880,329)**	(80,846,510)
Gross profit		**24,039,657**	16,808,493
Other income and gains and losses	6	**1,741,423**	1,240,960
Distribution and selling expenses		**(5,369,221)**	(3,104,796)
Administrative expenses		**(11,373,566)**	(8,702,742)
Other expenses	7	**(773,836)**	(90,260)
Finance costs	8	**(762,294)**	(550,207)
Share of profits of:			
Joint ventures		**346,379**	360,290
Associates		**2,920**	3,501
Profit before taxation	7	**7,851,462**	5,965,239
Income tax expense	11	**(1,219,880)**	(864,190)
Profit for the year		**6,631,582**	5,101,049
Other comprehensive income, net of income tax			
Items that will not be reclassified to profit or loss:			
Re-measurement of retirement benefit pension plans	33	**(103,480)**	131,970
Items that may be reclassified subsequently to profit or loss:			
Net gain on revaluation of available-for-sale financial assets		**32,717**	330,982
Income tax relating to items that may be reclassified subsequently		**(7,669)**	(23,314)
Exchange differences arising on translation		**(151,908)**	(29,500)
Other comprehensive income for the year, net of income tax		**(230,340)**	410,138
Total comprehensive income for the year		**6,401,242**	5,511,187
Profit for the year attributable to:			
Owners of the Company		**5,314,967**	4,164,963
Non-controlling interests		**1,316,615**	936,086
		6,631,582	5,101,049
Total comprehensive income for the year attributable to:			
Owners of the Company		**5,226,063**	4,575,833
Non-controlling interests		**1,175,179**	935,354
		6,401,242	5,511,187
Earnings per share *(RMB)*	13		
— Basic		**0.39**	0.30
— Diluted		**0.39**	0.30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	14	**28,827,564**	25,701,400	23,391,047
Prepaid lease payments — non-current portion	15	**4,678,027**	4,444,950	4,456,656
Goodwill	16	**763,868**	61,386	97,147
Other intangible assets	17	**1,147,889**	743,799	558,675
Loans and advances to customers		**29,700**	30,000	—
Interests in joint ventures	19	**1,741,187**	2,116,311	1,753,479
Interests in associates	20	**873,588**	837,306	819,076
Available-for-sale investments	21	**972,453**	708,842	526,630
Deferred tax assets	22	**1,153,124**	589,395	475,324
Other non-current assets	23	**6,586,877**	3,383,116	1,383,032
		46,774,277	38,616,505	33,461,066
Current assets				
Prepaid lease payments — current portion	15	**130,305**	105,428	—
Inventories	24	**30,663,146**	17,969,922	19,024,146
Available-for-sale investments	21	**4,400,000**	700,000	—
Trade receivables	25	**33,541,848**	34,403,110	26,787,355
Bills receivable	26	**6,693,741**	6,144,132	3,740,716
Prepayments, deposits and other receivables	27	**9,979,964**	7,949,113	8,289,776
Financial assets at fair value through profit or loss		**—**	6,746	7,346
Derivative financial instruments		**6**	4,243	2,243
Tax recoverable		**69,714**	46,387	24,314
Pledged bank deposits	28	**2,748,993**	1,496,002	547,429
Cash and bank balances	28	**15,563,015**	14,974,222	14,618,688
		103,790,732	83,799,305	73,042,013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000 (Restated)
CURRENT LIABILITIES				
Trade payables	29	**38,235,379**	32,115,482	27,024,768
Bills payable	30	**12,419,349**	13,675,679	13,113,618
Other payables and accruals	31	**29,006,506**	12,625,265	12,003,613
Borrowings — due within one year	32	**3,175,766**	7,646,292	8,625,597
Retirement benefit obligations — current portion	33	**170,261**	139,430	138,200
Tax payable		**730,216**	501,942	463,105
Due to customers		**135,588**	33,157	—
Provision for warranties — current portion	34	**1,310,265**	595,196	479,453
Government grants — current portion	35	**192,852**	234,832	271,407
Other non-current liabilities — current portion		**76,808**	—	—
		85,452,990	67,567,275	62,119,761
NET CURRENT ASSETS		**18,337,742**	16,232,030	10,922,252
TOTAL ASSETS LESS CURRENT LIABILITIES		**65,112,019**	54,848,535	44,383,318
Capital and reserves				
Share capital	37	**13,803,000**	13,803,000	13,803,000
Reserves		**26,707,531**	23,327,521	19,498,054
Equity attributable to owners of the Company		**40,510,531**	37,130,521	33,301,054
Non-controlling interests		**11,011,198**	9,652,195	6,800,196
Total equity		**51,521,729**	46,782,716	40,101,250
NON-CURRENT LIABILITIES				
Borrowings- due after one year	32	**7,282,443**	3,568,511	727,376
Retirement benefit obligations — non-current portion	33	**2,000,961**	1,323,890	1,541,290
Provision for warranties — non-current portion	34	**1,795,359**	1,147,285	972,229
Government grants — non-current portion	35	**1,742,675**	1,815,329	936,416
Deferred tax liabilities	22	**116,811**	61,210	45,427
Other non-current liabilities — non-current portion		**417,031**	149,594	59,330
Long-term payables		**235,010**	—	—
		13,590,290	8,065,819	4,282,068
Total equity and non-current liabilities		**65,112,019**	54,848,535	44,383,318

The consolidated financial statements on pages 114 to 228 are approved and authorised for issue by the Board of Directors on 30 March 2015 and are signed on its behalf by:

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to owners of the Company												
	Share capital *RMB'000*	Capital reserve *RMB'000* (Restated)	Available-for- sale investments revaluation reserve *RMB'000*	Share options reserve *RMB'000*	Retirement benefit obligations re-measurement reserve *RMB'000*	Statutory surplus reserve *RMB'000* *(Note 1)*	Special reserve *RMB'000* *(Note 2)*	General risk reserve *RMB'000* *(Note 3)*	Translation reserve *RMB'000*	Retained earnings *RMB'000* (Restated) *(Note 4)*	Total *RMB'000* (Restated)	Non-controlling interests *RMB'000* (Restated)	Total equity *RMB'000*
At 1 January 2014 (restated)	13,803,000	10,486,183	138,703	79,248	131,970	1,043,985	–	–	(53,543)	11,500,975	37,130,521	9,652,195	46,782,716
Profit for the year	–	–	–	–	–	–	–	–	–	5,314,967	5,314,967	1,316,615	6,631,582
Other comprehensive income for the year:													
Change in fair value of available-for-sale investments, net of tax	–	–	25,048	–	–	–	–	–	–	–	25,048	–	25,048
Re-measurement gains on retirement benefit obligations	–	–	–	–	(103,480)	–	–	–	–	–	(103,480)	–	(103,480)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	(10,472)	–	(10,472)	(141,436)	(151,908)
Total comprehensive income for the year	–	–	25,048	–	(103,480)	–	–	–	(10,472)	5,314,967	5,226,063	1,175,179	6,401,242
Acquisition of subsidiaries under common control	–	(554,424)	–	–	–	–	–	–	–	–	(554,424)	–	(554,424)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	184,330	184,330
Acquisition of non-controlling interests *(Note 5)*	–	(16,756)	–	–	–	–	–	–	–	–	(16,756)	(13,666)	(30,422)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	379,200	379,200
Dividends declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(366,357)	(366,357)
Recognition of equity-settled share based payments	–	–	–	(31,664)	–	–	–	–	–	–	(31,664)	–	(31,664)
Dividends distributed	–	–	–	–	–	–	–	–	–	(1,242,270)	(1,242,270)	–	(1,242,270)
Appropriation of General risk reserve	–	–	–	–	–	–	–	136,668	–	(136,668)	–	–	–
Appropriation of statutory surplus reserve	–	–	–	–	–	79,327	–	–	–	(79,327)	–	–	–
Others	–	(939)	–	–	–	–	–	–	–	–	(939)	317	(622)
Appropriation of special reserves	–	–	–	–	–	–	165,797	–	–	–	165,797	526	166,323
Utilisation of special reserves	–	–	–	–	–	–	(165,797)	–	–	–	(165,797)	(526)	(166,323)
At 31 December 2014	13,803,000	9,914,064	163,751	47,584	28,490	1,123,312	–	136,668	(64,015)	15,357,677	40,510,531	11,011,198	51,521,729

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to owners of the Company												
	Share capital RMB'000	Capital reserve RMB'000 (Restated)	Available-for- sale investments revaluation reserve RMB'000	Share options reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Statutory surplus reserve RMB'000 (Note 1)	Special reserve RMB'000 (Note 2)	General risk reserve RMB'000 (Note 3)	Translation reserve RMB'000	Retained earnings RMB'000 (Note 4)	Total RMB'000 (Restated)	Non-controlling interests RMB'000 (Restated)	Total equity RMB'000 (Restated)
At 31 December 2012	13,803,000	9,424,387	(168,965)	90,106	—	766,001	—	—	(24,775)	8,865,673	32,755,427	6,754,434	39,509,861
Add: effect of business combination under common control	—	555,034	—	—	—	—		—	—	(9,407)	545,627	45,762	591,389
At 1 January 2013 (restated)	13,803,000	9,979,421	(168,965)	90,106	—	766,001	—	—	(24,775)	8,856,266	33,301,054	6,800,196	40,101,250
Profit for the year (restated)	—	—	—	—	—	—	—	—	—	4,164,963	4,164,963	936,086	5,101,049
Other comprehensive income for the year:													
Change in fair value of available-for-sale investments, net of tax	—	—	307,668	—	—	—	—	—	—	—	307,668	—	307,668
Re-measurement gains on retirement benefit obligations	—	—	—	—	131,970	—	—	—	—	—	131,970	—	131,970
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	—	—	(28,768)	—	(28,768)	(732)	(29,500)
Total comprehensive income for the year (restated)	—	—	307,668	—	131,970	—	—	—	(28,768)	4,164,963	4,575,833	935,354	5,511,187
Capital contribution from non-controlling shareholders *(Note 6)*	—	—	—		—	—	—	—	—	—	—	2,719,751	2,719,751
Excess of the acquirers' additional interests in the carrying value of identifiable net assets over the cost of acquisition of identifiable interests in subsidiaries *(Note 7)*	—	506,762	—	—	—	—	—	—	—	—	506,762	(506,762)	—
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(296,344)	(296,344)
Recognition of equity-settled share based payments	—	—	—	(10,858)	—	—	—	—	—	—	(10,858)	—	(10,858)
Dividends distributed	—	—	—	—	—	—	—	—	—	(1,242,270)	(1,242,270)	—	(1,242,270)
Appropriation of statutory surplus reserve	—	—	—	—	—	277,984	—	—	—	(277,984)	—	—	—
Appropriation of special reserves	—	—	—	—	—	—	145,728	—	—	—	145,728	—	145,728
Utilisation of special reserves	—	—	—	—	—	—	(145,728)	—	—	—	(145,728)	—	(145,728)
At 31 December 2013 (restated)	13,803,000	10,486,183	138,703	79,248	131,970	1,043,985	—	—	(53,543)	11,500,975	37,130,521	9,652,195	46,782,716

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

Note 3: According to the relevant provisions of the Ministry of Finance, CSR Finance Co., Ltd ("Finance Company"), a subsidiary of the Company, is required to make an appropriation of general risk reserve from net profit as profit distribution, the balance of general risk reserve should not be less than 1.5 percent of risk assets at 31 December 2014. According to the resolution of board of directors, Finance Company made provision for general risk reserve amounting to RMB136,668,000 (2013: nil).

Note 4: It included statutory surplus reserve provided by subsidiaries amounting to RMB2,464,320,000 (2013: RMB1,916,377,000) as at 31 December 2014.

Note 5: In the year 2014, CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Ltd. purchased 1,612,500 H shares of Zhuzhou CSR Times Electric Co., Ltd. ("ZTE"), a subsidiary of the Group, at a cash consideration of HK$38,290,000 (equivalently to approximately RMB30,422,000) on The Stock Exchange of Hong Kong Limited, which caused non-controlling interests to decrease RMB13,666,000.

Note 6: The capital contribution from non-controlling shareholders in the year 2013 mainly represented:

In the year 2013, pursuant to the resolutions of general meeting of 2012 of ZTE, revised articles of association, and the approval of the China Securities Regulatory Commission ("CSRC") (Zheng Jian Xu Ke [2012] No.1678), ZTE completed the public issue of 91,221,000 overseas listed H shares with par value RMB1.00 each, and the issue price was HK$25 per share in Hong Kong, which caused non-controlling interests to increase RMB1,775,950,000.

In the year 2013, pursuant to the resolutions of the first extraordinary general meeting in 2013 of Zhuzhou Times New Material Technology Co., Ltd. ("ZTNM"), a subsidiary of the Group, and "Approval of right issue of Zhuzhou Times New Material Technology Co., Ltd." (Zheng Jian Xu Ke [2013] No. 208) from the CSRC, ZTNM offered 3 shares for every 10 to all shareholders, based on the total share capital of 517,341,440 on 30 September 2011, which caused non-controlling interests to increase RMB736,620,000.

In the year 2013, the non-controlling shareholder injected capital into Hangzhou CSR Rail Transportation Company Limited, which caused non-controlling interests to increase RMB83,300,000.

In the year 2013, the Group established a subsidiary, Suzhou CSR Rail Transportation Company Limited, together with Suzhou Rail Transportation Group Co., Ltd. and Suzhou High-tech Economic Development Group Co., Ltd., which caused non-controlling interests to increase RMB40,000,000.

In the year 2013, the Group established a subsidiary, Hefei CSR Rail Transit Vehicles Company Limited, together with Anhui Industrial Investment Co., Ltd., which caused non-controlling interests to increase RMB30,000,000.

Note 7: In the year 2013, the placing of new H share of ZTE and right issue of ZTNM above caused non-controlling interests to decrease RMB506,762,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**7,851,462**	5,965,239
Adjustments for:		
Depreciation of property, plant and equipment	**2,424,241**	1,780,382
Amortisation of prepaid lease payments	**130,305**	106,043
Amortisation of other intangible assets	**233,519**	125,618
Loss/(gain) on disposal of property, plant and equipment	**80,184**	(110,718)
Loss on disposal of other intangible assets, net	**14,766**	—
Loss on disposal of held-for-sale assets included in other receivables	**—**	266,687
Provision against obsolete inventories	**363,808**	136,405
Impairment of items of property, plants and equipment	**49,484**	—
Impairment of trade receivables	**585,814**	(16,675)
Impairment of other receivables	**103,617**	15,695
Impairment of loans and advances to customers	**800**	—
Impairment of others non-current assets	**34,121**	44,722
Impairment of goodwill	**—**	46,518
Interest income	**(221,093)**	(135,302)
Dividend income	**(240)**	(160)
Finance costs	**762,294**	550,207
Share of profits of associates and joint ventures	**(349,299)**	(363,791)
Equity-settled share option expense	**(31,379)**	(10,858)
Fair value loss/(gain) on derivative financial instruments	**5,936**	(2,000)
Gain on disposal of financial assets at fair value through profit or loss	**(17,089)**	(6,703)
Gain on disposal of available-for-sale investment	**(13,261)**	(116,511)
Gain on disposal of investment in an associate	**(371,253)**	—
Investment income from corporate wealth management products	**(49,233)**	(1,781)
Operating cash flows before movements in working capital	**11,587,504**	8,273,017
(Increase)/decrease in inventories	**(12,498,039)**	928,896
Increase in trade receivables, bills receivable and prepayments, deposits and other receivables	**(1,689,614)**	(9,703,864)
Increase in pledged bank deposits	**(1,109,873)**	(615)
Increase in trade payables, bills payable and other payables and accruals	**20,425,184**	6,783,377
Increase/(decrease) in retirement benefit obligations	**(37,813)**	(209,290)
Increase in provision for warranties	**1,236,797**	290,799
Increase in other non-current assets	**(2,791,266)**	(95,357)
Cash generated from operations	**15,122,880**	6,266,963
Interest received	**221,093**	135,302
Income tax paid	**(1,617,021)**	(949,108)
Net cash generated from operating activities	**13,726,952**	5,453,157

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment, excluding interest capitalised		**(4,462,736)**	(4,229,955)
Addition to prepaid lease payments		**(414,007)**	(162,549)
Purchases of other intangible assets		**(237,255)**	(295,007)
Purchases of interests in associates		**(180,000)**	(19,800)
Purchases of interests in joint ventures		**(37,234)**	(275,858)
Purchases of available-for-sale investments		**(6,993,087)**	(347,155)
Purchases of financial instruments classified as other receivables		**—**	(550,789)
Purchase of financial assets at fair value through profit or loss		**(64,653)**	—
Prepayment of investments		**(167,116)**	(440,674)
Prepayment of acquisition of subsidiaries		**—**	(113,253)
Purchase of assets under finance leases		**—**	(1,317,860)
Dividends received from a joint venture		**414,144**	501,910
Dividends received from available-for-sale investments		**240**	160
Dividends received from associates		**2,209**	1,500
Interest on financial instruments included in other receivables		**—**	8,195
Acquisitions of subsidiaries	38	**(1,596,981)**	7,972
Proceeds from disposal of prepaid land lease payments		**28,176**	34,808
Proceeds from disposal of items of property, plant and equipment		**279,635**	82,783
Proceeds from disposal of other intangible assets		**—**	14,628
Proceeds from disposal of available-for-sale investments		**3,075,724**	608,077
Proceeds from disposal of financial assets at fair value through profit or loss		**62,427**	—
Withdrawal of non-pledged deposits with original maturity of three months or more when acquired		**832,500**	45,000
Placement of non-pledged deposits with original maturity of three months or more when acquired		**(225,000)**	(896,396)
Net cash used in investing activities		**(9,683,014)**	(7,344,263)
FINANCING ACTIVITIES			
Repayment of bonds		**(9,000,000)**	(10,500,000)
Repayment of borrowings		**(33,087,158)**	(22,859,883)
Purchase of non-controlling interests		**(30,422)**	—
Distribution to shareholders		**(1,242,270)**	(1,242,270)
Bond issue expense		**(143,118)**	(1,019,750)
Dividends paid to non-controlling interests		**(366,357)**	(264,588)
Interest paid		**(795,682)**	(559,005)
Proceeds from bank and other borrowings		**33,837,270**	23,717,330
Acquisition of a subsidiary under common control		**(58,805)**	—
Proceeds from issuance of bonds		**7,700,000**	11,500,000
Capital contributions from non-controlling shareholders		**379,200**	2,706,947
Net cash (used in)/generated from financing activities		**(2,807,342)**	1,478,781
Effect of foreign exchange rate changes		**(40,303)**	(83,188)
Cash and cash equivalents at beginning of the year		**14,077,825**	14,573,338
Net increase/(decrease) in cash and cash equivalents		**1,196,293**	(495,513)
Cash and cash equivalents at end of the year		**15,274,118**	14,077,825

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Equipment	14	**47,899**	26,311
Other intangible assets	17	**30,250**	28,706
Interests in subsidiaries	18	**35,138,247**	32,267,406
Interests in an associate	20	**398,684**	397,094
Available-for-sale investments	21	**678**	678
Other non-current assets	23	**—**	61,000
		35,615,758	32,781,195
CURRENT ASSETS			
Bills receivable		**411,462**	—
Prepayments, deposits and other receivables	27	**15,044,127**	9,724,365
Available-for-sale investments	21	**900,000**	—
Tax recoverable		**—**	1,892
Pledged bank deposits	28	**1,010,790**	1,008,628
Cash and bank balances	28	**2,444,951**	2,280,234
		19,811,330	13,015,119
CURRENT LIABILITIES			
Other payables and accruals	31	**17,843,238**	5,006,065
Borrowings	32	**80,000**	4,550,000
Retirement benefit obligations- current portion	33	**360**	2,702
Tax payable		**4,276**	—
		17,927,874	9,558,767
Net current assets		**1,883,456**	3,456,352
Total assets less current liabilities		**37,499,214**	36,237,547

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
CAPITAL AND RESERVES			
Share capital	37	**13,803,000**	13,803,000
Reserves	37	**18,936,397**	19,415,392
Total equity		**32,739,397**	33,218,392
NON-CURRENT LIABILITIES			
Borrowings	32	**4,750,000**	3,000,000
Retirement benefit obligations- non-current portion	33	**9,817**	19,155
		4,759,817	3,019,155
Total equity and non-current liabilities		**37,499,214**	36,237,547

Director *Director*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL INFORMATION

CSR Corporation Limited (the "Company") was registered in the People's Republic of China ("PRC") on 28 December 2007 as a joint stock company with limited liability under the Company Law of the PRC. The Company's A shares were listed on the Shanghai Stock Exchange on 18 August 2008 and the Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") on 21 August 2008. In 2012, the Company completed the non-public issue of 1,963,000,000 A shares with par value RMB1.00 each, and the issue price was RMB4.46 per share, which was approved by the CSRC through Zheng Jian Xu Ke [2012] No. 210 on 20 February 2012.The details of the A shares and H shares' issuance are set out in note 37.

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

The Company and its subsidiaries (collectively the "Group") are principally engaged in the research and development, manufacturing, sale and refurbishment of locomotives, passenger carriages, freight wagons, multiple units and metro cars, as well as other businesses that utilise proprietary rolling stock technologies.

In the opinion of the directors of the Company, the holding company and the ultimate holding company of the Company is CSR Group (formerly named as China South Locomotive and Rolling Stock Industry (Group) Corporation), a state-owned enterprise established in the PRC, which is under the control of the State-owned Asset Supervision and Administration Commission of the State Council (the "SASAC").

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

2.1 Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied, for the first time, the following new, revised or amendments to IFRSs ("new and revised IFRSs") that are mandatorily effective for the current year.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operation[4]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2017.

3 Effective for annual periods beginning on or after 1 July 2014.

4 Effective for annual periods beginning on or after 1 January 2016.

5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

Other than as further explained below, the directors of the Company do not anticipate that the application of other new and revised IFRSs will have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (continued)

IFRS 9 *Financial Instruments*

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (continued)

IFRS 9 *Financial Instruments (continued)*

The directors of the Company anticipate that the adoption of IFRS 9 may affect the measurement of the available-for-sale equity investment currently measured at cost less impairment. Other than the available-for-sale equity investment and the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised cost, the directors of the Company do not expect IFRS 9 will have a material impact on the results and financial position of the Group based on an analysis of the Group' investment as at 31 December 2014.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 32).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (COTINUED)

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by- transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and is included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that is qualified as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit of loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if know, would have affected the amounts recognised at that date.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold and the costs incurred or to be incurred in respect of the transaction can be measured reliably;

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

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For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers included in prepayments, deposits and other receivable. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers included in other payables and accruals.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the leased assets are recognised at their fair value or, if lower, at the present value of the minimum lease payments. Assets held under finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss and other comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and the rental income from operating leases is recognised in profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi, "RMB") using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee benefits

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

For retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net retirement benefit liability or asset. Retirement benefit costs are categorised as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Retirement benefit costs and termination benefits (continued)

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of retirement benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's retirement benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Share-based payment arrangements

Share-based payment can be categorised into equity-settled share-based payment and cash-settled share-based payment. The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. In the financial statement of the Company, the share options that grant to eligible employees of subsidiaries are accounted in interests in subsidiaries and correspondingly increase the share options reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment arrangements (continued)

At the end of each reporting period, the Group revises its estimate of the number of equity instrument expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. In the financial statement of the Company, the impact of the revision is accounted in interests in subsidiaries and correspondingly increases the share options reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment (except for freehold land) to its residual value over its estimated useful life.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	10-45 years
Plant, machinery and equipment	6-20 years
Motor vehicles	5-12 years
Computer equipment and others	5-10 years

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Internally-generated intangible assets — research and development expenditure (continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets are as follows:

Patents and technical know-how	3-10 years
Computer software	2-10 years
Client relationships	7-15 years
Backlogs and technical service preferential orders	Over the service providing periods

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment on tangible and intangible assets other than goodwill (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL **(continued)**

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group’s right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and bill receivables, other receivables, cash and bank balances as well as pledged bank deposits) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of around three months to six months, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and long-term receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable or other receivables or long-term receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

***Impairment of financial assets* (continued)**

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including borrowings, trade payables, bills payable, other payables, long-term payables and due to customers) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Offsetting of financial instruments

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement

The following is the critical judgement that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

De facto control over subsidiaries

There are subsidiaries of the Group although the Group has less than half of the ownership interest and voting rights in these subsidiaries. The Group's management exercises its critical judgement when determining whether the Group has de facto control over an entity by evaluating its influence over the entity which includes, but is not limited to:

(i) the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) potential voting rights held by the Group, other vote holders or other parties;

(iii) rights arising from other contractual arrangements; and

(iv) any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Details for the judgment on de facto control over subsidiaries please refer to note 18.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets.

Employee retirement benefits

The Group has recognised the employee retirement benefit obligations as a liability. The Group's obligations are determined using actuarial valuations, which rely on various assumptions and conditions. The assumptions used in actuarial valuation reports include discount rates, the growth rate of the benefits and other factors. The deviation from the actual result and the actuary result will affect the accuracy of related accounting estimates. Even though management is of the view that the above assumptions are reasonable, any changes in condition of assumptions will still affect the estimated liability amount of employee retirement benefit obligations. The carrying amount of employee retirement benefits at 31 December 2014 was RMB2,171,222,000 (2013: RMB1,463,320,000).

Estimated impairment of receivables

The Group recognises provision based on the judgement of recovery of accounts receivable. Bad debt provision is required to be recognised when there are indications that the receivable cannot be recovered. Recognition of bad debt provision requires the use of judgement and estimates. If the revised estimates deviate from the current estimates, then any difference arising from changes of accounting estimates will affect the carrying value of debtors in the relevant accounting periods. The net carrying amounts of trade receivables and deposits and other receivables at 31 December 2014 were RMB33,541,848,000 (2013:RMB34,403,110,000) and RMB3,713,279,000 (2013: RMB2,420,249,000), respectively.

Write-down of inventories to net realisable value

The Group determines the write-down for obsolescence of inventories. These estimates are made with reference to aged inventory analyses, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable values. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation. The net carrying amount of inventories at 31 December 2014 was RMB30,663,146,000 (2013: RMB17,969,922,000).

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses and other temporary differences 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 profits together with future tax planning strategies. The carrying amount of deferred tax assets at 31 December 2014 was RMB1,153,124,000 (2013: RMB589,395,000). Further details are contained in note 22 to the financial statements.

Estimated impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was RMB763,868,000 (2013: RMB61,386,000). More details are given in note 16.

Warranty provisions

As explained in note 34, the Group makes provisions under the warranties it gives on sales of its goods taking into account the Group's recent claim experience. It is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

5. SEGMENT INFORMATION

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

Products and services

Revenue from external customers

	2014 ***RMB'000***	2013 *RMB'000* (Restated)
Rail transportation products and their extent products and services	**117,919,986**	97,655,003

5. SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers

	2014 RMB'000	2013 RMB'000 (Restated)
Mainland China	**107,605,506**	91,152,935
Other countries and regions	**10,314,480**	6,502,068
	117,919,986	97,655,003

The revenue information above is based on the locations of the customers.

Non-current assets

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Mainland China	**36,020,541**	33,668,761
Other countries and regions	**2,806,519**	914,458
	38,827,060	34,583,219

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

Revenue, net of sales tax, generated from a single customer which amounted to more than 10% of the Group's revenue for the year ended 31 December 2014 was RMB55,227,316,000 (2013: RMB40,017,603,000). The major customer invested and managed by local railway departments are regarded as a single customer by the directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. REVENUE, OTHER INCOME, GAINS AND LOSSES

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

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

	2014 RMB'000	2013 RMB'000 (Restated)
Revenue		
Sale of goods and services	**117,793,687**	97,562,926
Interest income from banks and other financial institutions	**125,497**	89,999
Fee and commission income	**802**	2,078
	117,919,986	97,655,003
Other income		
Government grants	**788,331**	948,776
Interest income	**221,093**	135,302
Value-added tax refunds	**176,359**	69,612
Profit from sales of scrap materials	**40,808**	73,832
Dividend income	**240**	160
Investment income from corporate wealth management products	**49,233**	1,781
Rental of land lease	**1,684**	6,407
Technical service income	**10,389**	5,384
Rental of items of property, plant and equipment	**4,253**	9,946
Total	**1,292,390**	1,251,200
Other gains and losses		
Gain on disposal of available-for-sale investment	**13,261**	116,511
Fair value (loss)/gain on derivative financial instruments	**(5,936)**	2,000
(Loss)/gain on disposal of property, plant and equipment	**(80,184)**	110,718
Loss on disposal of items of other intangible assets	**(14,766)**	—
Gain on disposal of financial assets at fair value through profit or loss	**17,089**	6,703
Loss on disposal of held-for sale assets included in other receivables	**—**	(266,687)
Gain on disposal of investment in an associate	**371,253**	—
Exchange gains, net	**168,922**	5,541
Others	**(20,606)**	14,974
Total	**449,033**	(10,240)
	1,741,423	1,240,960

7. PROFIT BEFORE TAXATION

	2014 RMB'000	2013 RMB'000 (Restated)
Other expenses included net:		
Impairment (reversal) of trade receivables	**585,814**	(16,675)
Impairment of other non-current assets	**34,121**	44,722
Impairment of prepayment, deposits and other receivables	**103,617**	15,695
Impairment of property, plant and equipment	**49,484**	—
Impairment of goodwill	**—**	46,518
Impairment of loans and advances to customers	**800**	—
	773,836	90,260

Profit before taxation has been arrived at after charging (crediting):

	2014 RMB'000	2013 RMB'000 (Restated)
Cost of inventories sold *(note)*	**93,880,329**	80,846,510
Depreciation of items of property, plant and equipment	**2,424,241**	1,780,382
Amortisation of prepaid lease payments	**130,305**	106,043
Amortisation of other intangible assets	**233,519**	125,618
Auditors' remuneration	**12,400**	11,000
Provision for warranties	**2,311,811**	1,065,748
Minimum lease payments under operating leases:		
Plant and machinery	**567,010**	40,181
Land and buildings	**98,588**	71,726
Research and development costs	**5,181,278**	3,627,199
Less: Amount capitalised	**(3,885)**	(25,614)
	5,177,393	3,601,585
Staff costs (including directors', supervisors' and chief executive's remuneration, and employees' benefits other than below)	**11,622,329**	8,696,293
Contribution to government-operated pension schemes	**1,307,034**	1,080,189
Contribution to annuity pension schemes	**201,436**	190,633
Equity-settled share option expense	**(31,379)**	(10,858)
Retirement benefit obligations — interest costs	**44,520**	59,710
	13,143,940	10,015,967

Note: Provision against obsolete inventories amounted to RMB363,808,000 during the year(2013:RMB136,405,000) and was included in "Cost of sales" on the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Interest on borrowings wholly repayable within five years	**781,517**	597,505
Interest on borrowings wholly repayable beyond five years	**16**	16
Interest on bills discounted	**11,842**	3,537
Interest on finance lease	**9,787**	—
Less: Interest capitalised in construction in progress	**(40,868)**	(50,851)
Total	**762,294**	550,207

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors', supervisors' and chief executive's emoluments for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161B of the predecessor Hong Kong Companies Ordinance (Cap32), is as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Fees	**600**	698
Other emoluments:		
Salaries	**2,027**	1,404
Performance-related bonuses *(Note 1)*	**3,331**	2,078
Social security contribution other than pension *(Note 2)*	**336**	215
Pension scheme contributions *(Note 3)*	**280**	185
	5,974	3,882
Total	**6,574**	4,580

Note 1: The performance-related bonuses is determined by the remuneration committee in accordance with the relevant human resources policies.

Note 2: The social security contributions other than pension represented the Company's statutory contributions directly to the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

Note 3: The pension scheme contributions represented the Company's statutory contributions to a defined contribution pension scheme organised by the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

The names of the directors, supervisors and the chief executive and their emoluments and benefit contributions for the year are as follows:

	Fees	Salaries	Performance-related bonuses	Social security contribution other than pension	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2014						
Executive directors:						
Mr. Zheng Changhong	—	250	659	48	40	997
Mr. Liu Hualong *(Note 1)*	—	250	659	48	40	997
Mr. Chen Dayang *(Note 2)*	—	225	593	48	40	906
Mr. Fu Jianguo *(Note 2)*	—	225	580	48	40	893
	—	950	2,491	192	160	3,793
Independent non-executive directors:						
Mr. Li Guoan *(Note 2)*	89	—	—	—	—	89
Mr. Wu Zhuo *(Note 2)*	87	—	—	—	—	87
Mr. Chen Jiaqiang *(Note 2)*	87	—	—	—	—	87
Mr. Zhao Jibin *(Note 2)*	69	—	—	—	—	69
Mr. Yang Yuzhong *(Note 2)*	75	—	—	—	—	75
Mr. Chen Yongkuan *(Note 2)*	65	—	—	—	—	65
Mr. Dai Deming *(Note 2)*	69	—	—	—	—	69
Mr. Tsoi, David *(Note 2)*	59	—	—	—	—	59
	600	—	—	—	—	600
Supervisors:						
Mr. Wang Yan	—	368	359	48	40	815
Mr. Qiu Wei	—	343	220	48	40	651
Mr. Sun Ke	—	366	261	48	40	715
	—	1,077	840	144	120	2,181
	600	2,027	3,331	336	280	6,574

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

The names of the directors, supervisors and the chief executive and their emoluments and benefit contributions for the year are as follows: (continued)

	Fees *RMB'000*	Salaries *RMB'000*	Performance-related bonuses *RMB'000*	Social security contribution other than pension *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Year ended 31 December 2013						
Executive directors:						
Mr. Zheng Changhong	—	230	659	43	37	969
Mr. Liu Hualong *(Note 1)*	—	213	610	43	37	903
Mr. Chen Dayang	—	207	593	43	37	880
	—	650	1,862	129	111	2,752
Independent non-executive directors:						
Mr. Zhao Jibin	140	—	—	—	—	140
Mr. Yang Yuzhong	154	—	—	—	—	154
Mr. Chen Yongkuan	136	—	—	—	—	136
Mr. Dai Deming	146	—	—	—	—	146
Mr. Tsoi, David	122	—	—	—	—	122
	698	—	—	—	—	698
Supervisors:						
Mr. Wang Yan	—	—	—	—	—	—
Mr. Qiu Wei	—	349	108	43	37	537
Mr. Sun Ke	—	405	108	43	37	593
	—	754	216	86	74	1,130
	698	1,404	2,078	215	185	4,580

Note:

(1) Mr. Liu Hualong is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered as Chief Executive.

(2) The remuneration of the key management personnel, whose position changed during the year, was calculated based on the remuneration of their actual tenure. Mr. Fujianguo was appointed as executive director since June 2014, meanwhile, Mr. Chen Dayang was retired from this position in June 2014. Mr. Li Guoan, Mr. Wu Zhuo and Mr. Chen Jiaqiang were appointed as independent non-executive directors since June 2014. Meanwhile, Mr. Zhao Jibin, Mr. Yang Yuzhong, Mr. Chen Yongkuan, Mr. Dai Deming and Mr. Tsoi, David were retired in June 2014.

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

No emoluments were paid by the Group to any of the directors or the supervisors and the chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

There was no arrangement under which a director or the supervisors and the chief executive of the Company waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year are neither directors nor supervisors and chief executive.

Details of the remuneration paid to the five highest paid employees during the year are as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Salaries	**2,143**	1,018
Performance-related bonuses	**6,436**	4,323
Social security contribution other than pension	**410**	398
Pension scheme contributions	**526**	964
	9,515	6,703

The number of five highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2014	2013
HK$1,500,001 to HK$2,000,000	**—**	5
HK$2,000,001 to HK$2,500,000	**3**	—
HK$2,500,001 to HK$3,000,000	**2**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. INCOME TAX EXPENSE

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

	Group	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Current tax charge comprises		
PRC enterprise income tax	**1,760,701**	972,884
Hong Kong Profits Tax	**10,775**	9,254
Other jurisdictions	**11,971**	5,808
	1,783,447	987,946
Deferred tax credit *(Note 22)*	**(563,567)**	(123,756)
	1,219,880	864,190

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% (2013: 25%) is applied to the Group for the year, except for certain subsidiaries which were either exempted from tax or entitled to different preferential tax rates during the years. Certain subsidiaries of the Company are entitled to the preferential tax rate of 15% (2013: 15%) because they are recognised as the high and new technology enterprises by the local governments in the PRC.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

A reconciliation of the income tax expense applicable to profit before tax at the respective applicable rate for the Company and its subsidiaries to the income tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Profit before taxation	**7,851,462**	5,965,239
Tax at the applicable tax rate (25%)	**1,962,866**	1,491,310
Tax effect of share of associates and joint ventures	**(53,524)**	(50,667)
Tax effect of expenses not deductible for tax purpose	**89,975**	117,447
Entities subject to lower statutory income tax rates	**(694,599)**	(559,765)
Provision in respect of current tax of the previous years	**(14,206)**	(13,393)
Utilisation of tax losses and temporary differences previously not recognised	**(49,156)**	(28,230)
Tax effect of tax losses and temporary differences not recognised	**214,383**	89,868
Others *(note)*	**(235,859)**	(182,380)
	1,219,880	864,190

Note: Others mainly comprised income tax benefits on research and development expenditure.

12. DIVIDENDS

Dividends recognised as distribution during the year:

	2014	2013
	RMB'000	*RMB'000*
2013 final dividends- RMB9.0 cents per ordinary share (2012 final dividends- RMB9.0 cents per ordinary share)	**1,242,270**	1,242,270

The directors of the Company do not recommend the payment of a final dividend for the year 2014.

13. EARNINGS PER SHARE

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

	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**5,314,967**	4,164,963
Number of Shares		
Number of shares for the purpose of basic earnings per share	**13,803,000,000**	13,803,000,000

The computation of diluted earnings per share for the year ended 31 December 2014 and 2013 does not assume the exercise of the Company's share options as the exercise prices of those share options were higher than the average market price for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Notes	Freehold Land RMB'000	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Computer equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
Balance at 31 December 2012		—	12,152,919	14,096,312	762,590	1,533,089	3,005,096	31,550,006
Effect of business combination under common control	38.1	—	333,593	379,185	7,773	2,406	55,977	778,934
Balance at 1 January 2013 (Restated)		—	12,486,512	14,475,497	770,363	1,535,495	3,061,073	32,328,940
Additions		—	76,089	367,749	21,748	155,092	3,979,127	4,599,805
Transfer from construction in progress		—	1,561,851	1,501,637	55,232	58,425	(3,177,145)	—
Acquisitions of subsidiaries	38.2	—	9,685	4,021	1,696	1,021	1,505	17,928
Transfer to prepaid land lease payments	15	—	—	—	—	—	(57,724)	(57,724)
Transfer to other intangible assets	17	—	—	—	—	—	(31,311)	(31,311)
Disposals		—	(167,233)	(510,323)	(16,322)	(45,229)	(110,320)	(849,427)
Exchange adjustments		—	(216)	(1,447)	(43)	(311)	(117)	(2,134)
Balance at December 2013		—	13,966,688	15,837,134	832,674	1,704,493	3,665,088	36,006,077
Additions		21,287	287,932	631,272	45,695	114,067	3,321,668	4,421,921
Transfer from construction in progress		—	1,772,657	1,736,140	35,915	219,795	(3,764,507)	—
Acquired on acquisitions of subsidiaries	38.1	131,906	687,500	540,639	1,822	250,470	135,879	1,748,216
Transfer to other intangible assets	17	—	—	—	—	—	(60,467)	(60,467)
Disposals		—	(51,565)	(551,809)	(52,325)	(114,348)	(68,499)	(838,546)
Exchange adjustments		(9,491)	(26,473)	(51,427)	(56)	(20,716)	(3,193)	(111,356)
Balance at 31 December 2014		143,702	16,636,739	18,141,949	863,725	2,153,761	3,225,969	41,165,845
Depreciation								
Balance at 31 December 2012		—	(2,274,615)	(4,998,331)	(455,908)	(754,476)	—	(8,483,330)
Effect of business combination under common control	38.1	—	(151,624)	(198,603)	(5,775)	(2,234)	—	(358,236)
Balance at 1 January 2013(Restated)		—	(2,426,239)	(5,196,934)	(461,683)	(756,710)	—	(8,841,566)
Provided for the year		—	(352,658)	(1,157,812)	(60,919)	(208,993)	—	(1,780,382)
Disposals		—	87,401	269,654	13,895	40,567	—	411,517
Exchange adjustments		—	26	116	4	61	—	207
Balance at December 2013 (Restated)		—	(2,691,470)	(6,084,976)	(508,703)	(925,075)	—	(10,210,224)
Provided for the year		—	(555,389)	(1,549,147)	(76,143)	(243,562)	—	(2,424,241)
Disposals		—	26,353	274,327	38,444	80,919	—	420,043
Exchange adjustments		—	721	8,862	27	2,233	—	11,843
Balance at 31 December 2014		—	(3,219,785)	(7,350,934)	(546,375)	(1,085,485)	—	(12,202,579)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

	Notes	Freehold Land RMB'000	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Computer equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Impairment								
Balance at 31 December 2012		—	(13,878)	(76,677)	(794)	(4,188)	(576)	(96,113)
Effect of business combination under common control	38.1	—	(86)	(128)	—	—	—	(214)
Balance at 1 January 2013 (Restated)		—	(13,964)	(76,805)	(794)	(4,188)	(576)	(96,327)
Provided for the year		—	—	—	—	—	—	—
Disposals		—	17	1,685	44	128	—	1,874
Balance at December 2013		—	(13,947)	(75,120)	(750)	(4,060)	(576)	(94,453)
Provided for the year		—	(1,321)	(47,175)	(128)	(860)	—	(49,484)
Disposals		—	14	6,941	—	637	—	7,592
Exchange adjustments		—	—	643	—	—	—	643
Balance at 31 December 2014		—	(15,254)	(114,711)	(878)	(4,283)	(576)	(135,702)
Carrying amount								
Balance at 31 December 2014		143,702	13,401,700	10,676,304	316,472	1,063,993	3,225,393	28,827,564
Balance at 31 December 2013		—	11,261,271	9,677,038	323,221	775,358	3,664,512	25,701,400

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Computer equipment and others *RMB'000*
Cost	
Balance at 1 January 2013	40,838
Additions	16,707
Disposals	(8,273)
Balance at 31 December 2013	49,272
Additions	48,986
Disposals	(25,165)
Balance at 31 December 2014	73,093
Depreciation	
Balance at 1 January 2013	(23,028)
Provided for the year	(4,069)
Disposals	5,028
Balance at 31 December 2013	(22,069)
Provided for the year	(4,396)
Disposals	2,163
Balance at 31 December 2014	(24,302)
Impairment	
Balance at 1 January 2013	(892)
Provided for the year	—
Balance at 31 December 2013	(892)
Provided for the year	—
Balance at 31 December 2014	(892)
Carrying amounts	
Balance at 31 December 2014	47,899
Balance at 31 December 2013	26,311

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, capitalisation rates ranging 2.65% to 6.40% (2013: 2.65% to 6.84%) per annum have been applied to the expenditure on individual assets.

As at 31 December 2014, all of the Group's properties are located in the PRC with the exception of buildings and freehold land amounting RMB855,750,000 (2013:RMB27,828,000).

The details of the above items of property, plant and equipment pledged to secure general banking facilities granted to the Group are set out in note 32 below.

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying amount of RMB1,900,617,000 (2013: RMB2,970,488,000) at 31 December 2014. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

15. PREPAID LEASE PAYMENTS

		Group	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
CARRYING AMOUNT			
Balance at 1 January		**4,550,378**	4,456,656
Additions		**404,811**	140,892
Transfer from construction in progress	14	**—**	57,724
Acquisitions of subsidiaries	38	**22,589**	6,907
Disposals		**(28,176)**	(5,924)
Released to profit or loss	7	**(130,305)**	(106,043)
Exchange adjustments		**(10,965)**	166
At 31 December		**4,808,332**	4,550,378
Analysed for reporting purpose as:			
Current assets		**130,305**	105,428
Non-current assets		**4,678,027**	4,444,950

The leasehold lands are held under medium term leases and are situated in the PRC, except for the leasehold lands with a carrying amount of RMB9,960,000 (2013: RMB17,899,000) are located in the Malaysia.

The details of the above prepaid land lease payments pledged to secure general banking facilities granted to the Group are set out in note 32 below.

Land use rights with carrying amount of RMB135,184,000 (2013: Nil) located in the PRC which the Group is in the process of obtaining the land use right certificates. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

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For the year ended 31 December 2014

16. GOODWILL

		Group	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
COST			
At 1 January		**107,904**	97,147
Acquisitions of subsidiaries	38	**761,294**	11,937
Exchange adjustments		**(58,812)**	(1,180)
At 31 December		**810,386**	107,904
IMPAIRMENT			
At 1 January		**(46,518)**	—
Impairment loss recognised in the year		**—**	(46,518)
At 31 December		**(46,518)**	(46,518)
CARRYING AMOUNT		**763,868**	61,386

The basis of determining the recoverable amounts of the subsidiaries and their major underlying assumptions are summarised below:

The recoverable amounts in respect of subsidiaries, which are principally engaged in manufacturing, have been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of (9.10%-15.0%) (2013: 15.0%). The cash flows beyond the 5-year period are extrapolated using a growth rate of 1.5%-2.0% (2013: 2.0%). One major assumption is annual growth rates in revenue which vary among different subsidiaries for the most recent financial budgets period. The growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount (net of impairment loss provided) of remaining subsidiaries to exceed its recoverable amount.

17. OTHER INTANGIBLE ASSETS

Group

	Notes	Patents and technical know-how RMB'000	Computer software RMB'000	Client relationships RMB'000	Backlogs and technical service preferential orders RMB'000	Total RMB'000
Cost						
Balance at 31 December 2012		734,610	523,609	—	—	1,258,219
Effect of business combination under common control	38.1	10,253	3,081	—	—	13,334
Balance at 1 January 2013 (Restated)		744,863	526,690	—	—	1,271,553
Additions		179,091	106,390	—	—	285,481
Transfer from construction in progress	14	—	31,311	—	—	31,311
Acquisitions of subsidiaries	38.2	8,558	—	—	—	8,558
Disposals		—	(17,741)	—	—	(17,741)
Exchange adjustments		(570)	(110)	—	—	(680)
Balance at 31 December 2013		931,942	646,540	—	—	1,578,482
Additions		24,050	213,886	—	5,392	243,328
Transfer from construction in progress	14	60,467	—	—	—	60,467
Acquisitions of subsidiaries	38.1	51,688	3,626	249,462	69,657	374,433
Disposals		(2,604)	(28,642)	—	—	(31,246)
Exchange adjustments		(4,933)	(489)	(20,364)	(6,927)	(32,713)
Balance at 31 December 2014		1,060,610	834,921	229,098	68,122	2,192,751
Amortisation						
Balance at 31 December 2012		(331,196)	(228,366)	—	—	(559,562)
Effect of business combination under common control	38.1	(6,564)	(2,421)	—	—	(8,985)
Balance at 1 January 2013 (Restated)		(337,760)	(230,787)	—	—	(568,547)
Provided for the year		(43,852)	(81,766)	—	—	(125,618)
Disposals		—	3,183	—	—	3,183
Exchange adjustments		566	64	—	—	630
Balance at 31 December 2013		(381,046)	(309,306)	—	—	(690,352)
Provided for the year		(99,027)	(115,479)	(4,830)	(14,183)	(233,519)
Disposals		2,314	17,287	—	—	19,601
Exchange adjustments		2,770	247	548	174	3,739
Balance at 31 December 2014		(474,989)	(407,251)	(4,282)	(14,009)	(900,531)
Impairment:						
Balance at 1 January 2013		(144,331)	—	—	—	(144,331)
Provided for the year		—	—	—	—	
Balance at 31 December 2013		(144,331)	—	—	—	(144,331)
Provided for the year		—	—	—	—	—
Balance at 31 December 2014		(144,331)	—	—	—	(144,331)
Carrying amounts						
Balance at 31 December 2014		441,290	427,670	224,816	54,113	1,147,889
Balance at 31 December 2013		406,565	337,234	—	—	743,799

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17. OTHER INTANGIBLE ASSETS (CONTINUED)

Company

	Computer software RMB'000
Cost	
At 1 January 2013	47,340
Additions	1,840
At 31 December 2013	49,180
Additions	6,429
At 31 December 2014	55,609
Amortisation	
At 1 January 2013	(15,759)
Provided for the year	(4,715)
At 31 December 2013	(20,474)
Provided for the year	(4,885)
At 31 December 2014	(25,359)
Carrying amounts	
At 31 December 2014	30,250
At 31 December 2013	28,706

18. INTERESTS IN SUBSIDIARIES

	Company	
	2014 RMB'000	2013 RMB'000
Unlisted investments, at cost	**33,903,247**	31,232,406
Loans to subsidiaries	**1,235,000**	1,035,000
	35,138,247	32,267,406

The loans to the subsidiaries are unsecured, bear interest at relevant market rates and the repayment terms are over three years. The carrying amounts of these amounts due from subsidiaries approximate to their fair values.

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18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2014 are as follows:

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company Direct (%) 2014	Direct (%) 2013	Indirect (%) 2014	Indirect (%) 2013	Principal activities
CSR Zhuzhou Electric Locomotive Co., Ltd. ("Zhuzhou Locomotive")* 南車株洲電力機車有限公司	PRC 31 August 2005	RMB4,401,365,846	**100.0**	100.0	**—**	—	Manufacturing, selling and repairing of locomotives
CSR Ziyang Locomotive Co., Ltd.* 南車資陽機車有限公司	PRC 12 May 2006	RMB834,225,725	**99.6**	99.6	**—**	—	Manufacturing, selling and repairing of locomotives
CSR Qingdao Sifang Co., Ltd.* 南車青島四方機車車輛股份有限公司	PRC 22 July 2002	RMB4,003,794,100	**97.8**	97.8	**—**	—	Manufacturing, selling and repairing of locomotives
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.* ("Zhuzhou Locomotive Research Institute ") 南車株洲電力機車研究所有限公司	PRC 9 September 1992	RMB4,184,500,000	**100.0**	100.0	**—**	—	Investment holding, manufacturing and selling of wind turbines
CSR Sifang Co., Ltd.* ("Sifang Co.,") 南車四方車輛有限公司	PRC 4 September 1980	RMB293,095,500	**100.0**	100.0	**—**	—	Repairing locomotives and rolling stock
CSR Investment & Leasing Co., Ltd.* 南車投資租賃有限公司	PRC 26 April 1999	RMB2,300,000,000	**100.0**	100.0	**—**	—	Trading and finance leasing
CSR Yangtze Co., Ltd.* ("CSR Yangtze") 南車長江車輛有限公司	PRC 14 September 2006	RMB2,383,868,800	**100.0**	100.0	**—**	—	Manufacturing, selling and repairing of rolling stock
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.* 南車戚墅堰機車車輛工藝研究所有限公司	PRC 15 May 1992	RMB1,560,000,000	**100.0**	100.0	**—**	—	Research and development of train- related products
CSR Shijiazhuang Rolling Stock Co., Ltd.* 南車石家莊車輛有限公司	PRC 28 June 2007	RMB204,621,800	**100.0**	100.0	**—**	—	Repairing locomotives and rolling stock
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.* 南車成都機車車輛有限公司	PRC 28 June 2007	RMB422,771,941	**100.0**	100.0	**—**	—	Repairing locomotives and rolling stock
CSR Nanjing Puzhen Rolling Stock Co., Ltd.* 南車南京浦鎮車輛有限公司	PRC 27 June 2007	RMB1,759,840,000	**100.0**	100.0	**—**	—	Manufacturing, selling and repairing of rolling stock

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2014 are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company				Principal activities
			Direct (%)		Indirect (%)		
			2014	2013	**2014**	2013	
CSR Erqi Co., Ltd.* 南車二七車輛有限公司	PRC 28 June 2007	RMB381,873,228	**100.0**	100.0	**—**	—	Manufacturing, selling and repairing of rolling stock
CSR Meishan Co., Ltd.* 南車眉山車輛有限公司	PRC 28 June 2007	RMB337,848,600	**100.0**	100.0	**—**	—	Manufacturing and selling of rolling stock
CSR Luoyang Locomotive Co., Ltd.* 南車洛陽機車有限公司	PRC 27 June 2007	RMB508,956,400	**100.0**	100.0	**—**	—	Repairing locomotives and rolling stock
CSR Qishuyan Locomotive Co., Ltd.* 南車戚墅堰機車有限公司	PRC 26 June 2007	RMB1,092,742,757	**100.0**	100.0	**—**	—	Manufacturing, selling and repairing of locomotives
CSR (Hong Kong) Co., Ltd.* 中國南車(香港)有限公司	PRC 7 April 2008	HK$800,000,000	**100.0**	100.0	**—**	—	Trading and investment management
CSR Zhuzhou Electric Co., Ltd.* 南車株洲電機有限公司	PRC 14 April 2004	RMB1,043,180,000	**100.0**	100.0	**—**	—	Manufacturing and selling of electric motors
Finance Company* 南車財務有限公司	PRC 4 December 2012	RMB1,000,000,000	**91.0**	91.0	**—**	—	Banking, insurance, other financial services for other subsidiaries, interbank borrowing
CSR Corporation (Australia) PTY Ltd.* 中國南車(澳洲)有限公司	Australia 10 July 2012	Australian Dollar ("AUD") 1,000,000	**100.0**	100.0	**—**	—	Trading and after-sale maintaining
CSR international Co., Ltd.* 南車國際裝備工程有限公司	PRC 13 May 2013	RMB600,000,000	**100.0**	100.0	**—**	—	Trading equipment engineering
ZTE* 株洲南車時代電氣股份有限公司	PRC 26 September 2005	RMB1,175,476,637	**—**	—	**51.81**	51.81	Manufacturing of train — bore systems and components
ZTNM* *(i)* 株洲時代新材料科技股份有限公司	PRC 24 May 1994	RMB661,422,092	**—**	—	**27.38**	27.38	Manufacturing and selling of polymer compounds, etc.
CSR Guiyang Co., Ltd. ("CSR Guiyang")* *(ii)* 南車貴陽車輛有限公司	PRC 30 September 2014	RMB550,000,000	**100.0**	N/A	**—**	N/A	Manufacturing, selling and repairing of rolling stock
CSR Industry Research Institute Co., Ltd.* *(ii)* 南車工業研究院有限公司	PRC 25 August 2014	RMB200,000,000	**100.0**	N/A	**—**	N/A	Research and development train- related products

* The English names of certain companies above represent the direct translation the Chinese names of these companies as no English names have been registered.

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

(i) The proportion of voting rights and ownership interests held by the Company is 27.38%. The proportion of voting rights and ownership interests held by the CSRG is 13.90% of which the CSRG has authorised the Company to exercise, accordingly, the proportion of voting rights of the Company is 41.28%.

The directors of the Company concluded that it has had control over ZTNM on the basis of the Group's absolute size of holding and voting rights in ZTNM and the relative size and dispersion of the shareholdings owned by the other shareholders.

(ii) CSR Guiyang and CSR Industry Research Institute Co., Ltd. were established in 2014.

None of the subsidiaries had issued any debt securities at the end of the year except for ZTNM which has issued RMB700 million of long-term bonds, in which the Group has no interest.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2014. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests Group		Profit allocated to non-controlling interests Company		Accumulated non-controlling interests Company	
		31 December 2014	31 December 2013	**31 December 2014 RMB'000**	31 December 2013 RMB'000	**31 December 2014 RMB'000**	31 December 2013 RMB'000
ZTE	PRC	**48.19%**	48.19%	**1,152,709**	706,957	**5,383,192**	4,409,443
ZTNM	PRC	**72.62%**	72.62%	**30,727**	89,945	**2,144,053**	2,272,401
Individually immaterial subsidiaries with non-controlling interests				**133,179**	166,184	**3,483,953**	2,970,291
Total				**1,316,615**	936,086	**11,011,198**	9,652,195

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

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18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

ZTE and its subsidiaries

	31 December 2014 RMB'000	31 December 2013 RMB'000
Current assets	**14,165,962**	10,812,679
Non-current assets	**2,758,940**	2,585,803
Current liabilities	**4,986,748**	3,820,516
Non-current liabilities	**767,388**	427,846

	2014 RMB'000	2013 RMB'000
Revenue	**12,715,503**	8,855,964
Expenses	**7,915,712**	7,254,142
Profit for the year	**2,392,009**	1,467,021
Other comprehensive income for the year	**(10,985)**	(1,892)
Total comprehensive income for the year	**2,381,024**	1,465,129
Dividends paid to non-controlling interests	**2,691**	—
Net cash inflow from operating activities	**2,105,379**	725,986
Net cash outflow from investing activities	**(2,172,961)**	(1,327,263)
Net cash (outflow) inflow from financing activities	**(403,004)**	1,422,393
Net cash (outflow) inflow	**(470,586)**	821,116

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

ZTNM and its subsidiaries

	31 December 2014 RMB'000	31 December 2013 RMB'000
Current assets	**5,744,225**	3,784,320
Non-current assets	**4,535,370**	1,833,336
Current liabilities	**3,947,427**	2,307,304
Non-current liabilities	**3,379,740**	181,102

	2014 RMB'000	2013 RMB'000
Revenue	**6,007,777**	4,164,705
Expenses	**5,986,916**	3,425,003
Profit for the year	**42,312**	123,857
Other comprehensive income for the year	**(183,248)**	(5,131)
Total comprehensive income for the year	**(140,936)**	118,726
Dividends paid to non-controlling interests	**200**	—
Net cash inflow (outflow) from operating activities	**270,184**	(281,437)
Net cash outflow from investing activities	**(4,529,523)**	(195,161)
Net cash inflow from financing activities	**4,379,746**	786,406
Effect of foreign exchange rate changes	**(597)**	497
Net cash inflow	**119,810**	310,305

19. INTERESTS IN JOINT VENTURES

	Group	
	2014	2013
	RMB'000	*RMB'000*
Cost of investments, unlisted	**567,423**	482,067
Share of post-acquisition profit and other comprehensive income	**1,173,764**	1,634,244
Carrying amount	**1,741,187**	2,116,311

Particulars of the material joint ventures of the Group at 31 December 2014 are as follow:

Company name	Date of establishments	Place of operation	Fully paid up registered capital	Proportion of Ownership interest and voting rights held % 2014	2013	Principal activities
Bombardier Sifang (Qingdao) Transportation Ltd. ("Bombardier Qingdao") 青島四方龐巴迪鐵路運輸設備有限公司	27 November 1998	PRC	United States Dollar ("US$")84,120,000	**50**	50	Manufacturing and selling of locomotives and rolling stock

The English name of the above company represents direct translating of the Chinese name of the company as no English name has been registered.

The above table lists the principal joint ventures of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Bombardier Qingdao

	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Current assets	**10,811,689**	11,477,059
Non-current assets	**1,312,230**	1,347,022
Current liabilities	**8,120,113**	8,449,239
Non-current liabilities	**1,262,986**	1,394,066

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of material joint ventures (continued)

Bombardier Qingdao (continued)

The above amounts of assets and liabilities include the following:

	2014 RMB'000	2013 RMB'000
Cash and cash equivalents	**1,995,289**	4,324,049
Current financial liabilities (excluding trade and other payable and provisions)	**517,026**	958,019
Non-current financial liabilities (excluding trade and other payable and provisions)	**—**	—

	2014 RMB'000	2013 RMB'000
Revenue	**2,563,921**	4,321,050
Profit and total comprehensive income for the year	**560,044**	671,431
Dividends received from the joint venture during the year	**400,000**	200,000

The above profit for the year include the following:

	2014 RMB'000	2013 RMB'000
Depreciation and amortisation	**77,088**	77,306
Interest income	**82,967**	91,996
Income tax expense	**98,079**	121,489

Reconciliation of the above summarised financial information to the carrying amount of the interest in Bombardier Qingdao recognised in the consolidated financial statements:

	31 December 2014 RMB'000	31 December 2013 RMB'000
Net assets of the joint venture	**2,740,820**	2,980,776
Proportion of the Group's ownership interest in Bombardier Qingdao	**50%**	50%
Carrying amount of the Group's interest in Bombardier Qingdao	**1,370,410**	1,490,388

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19. INTERESTS IN JOINT VENTURES (CONTINUED)

Aggregate information of joint ventures that are not individually material

	2014	2013
	RMB'000	*RMB'000*
The Group's share of profit and total comprehensive income for the year	**66,357**	24,574
Aggregate carrying amount of the Group's interests in these joint ventures	**370,777**	625,923

20. INTERESTS IN ASSOCIATES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost of investments, unlisted	**595,073**	457,113	**400,000**	400,000
Share of post-acquisition profit (loss) and other comprehensive income	**278,515**	380,193	**(1,316)**	(2,906)
	873,588	837,306	**398,684**	397,094

Particulars of the material associate of the Group as at 31 December 2014 are as follows:

Company name	Date of establishments	Place of operation	Fully paid up registered capital	Proportion of Ownership interest and voting rights held % 2014	2013	Principal activities
Guangzhou Electric Locomotive Co., Ltd. ("Guangzhou Locomotive") 廣州電力機車有限公司	1 March 2011	PRC	RMB1,000,000,000	**40**	40	Manufacturing, selling and repairing of locomotives

The English name of the above company represents direct translation the Chinese name of the company as no English name has been registered.

The above table lists the material associate of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

20. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associates

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Guangzhou Locomotive

	31 December 2014 *RMB'000*	31 December 2013 *RMB'000*
Current assets	**868,422**	533,146
Non-current assets	**846,011**	835,858
Current liabilities	**714,119**	373,181
Non-current liabilities	**2,890**	3,089

	2014 *RMB'000*	2013 *RMB'000*
Revenue	**625,288**	356,025
Profit and total comprehensive income for the year	**4,689**	774

Reconciliation of the above financial information to the carrying amount of the interest in Guangzhou Locomotive recognised in the consolidated financial statements:

	31 December 2014 *RMB'000*	31 December 2013 *RMB'000*
Net assets of the associate	**997,424**	992,734
Proportion of the Group's ownership interest in Guangzhou Locomotive	**40%**	40%
Share-based payment	**(285)**	—
Carrying amount of the Group's interest in Guangzhou Locomotive	**398,684**	397,094

Aggregate information of associates that are not individually material

	2014 *RMB'000*	2013 *RMB'000*
The Group's share of profit and total comprehensive income for the year	**1,044**	3,191
Aggregate carrying amount of the Group's interests in these associates	**474,904**	440,212

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21. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Unlisted financial assets, at fair value	**4,400,000**	700,000	**900,000**	—
Unlisted equity investments, at cost less impairment	**128,074**	38,914	**678**	678
Listed equity investments, in the PRC, at fair value	**844,379**	669,928	**—**	—
	5,372,453	1,408,842	**900,678**	678

Analysed for reporting purpose as:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Current asset	**4,400,000**	700,000	**900,000**	—
Non-current asset	**972,453**	708,842	**678**	678

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income before tax amounted to RMB32,717,000 (2013: gain of RMB330,982,000).

Unlisted financial assets

Unlisted financial assets of the Group and the Company represent investment in corporate wealth management products issued by PRC banks, and are stated at fair value by discounting the expected future cash inflow using the prevailing discount rate.

Unlisted equity investments

Unlisted equity investments of the Group and the Company are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price in an active market, the range of reasonable fair values estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

Listed equity investments

The fair value of the listed equity investments is determined by reference to published price quotations in an active market.

22. DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purposes:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Deferred tax assets	**1,153,124**	589,395
Deferred tax liabilities	**(116,811)**	(61,210)
	1,036,313	528,185

The deferred tax assets (liabilities) recognised by the Group and movements thereon during the year are as follows:

	Warranty claims provision	Government grants	Accrued commission	Assets impairment	Unrealised profits in inventories	Accrued royalty fee	Wages payable	Financial assets at fair value through profit or loss	Fair value adjustments arising from acquisitions of subsidiaries	Depreciation difference	Fair value adjustments arising from AFS investments	Other temporary differences	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013 (Restated)	188,870	92,656	35,785	49,972	32,812	17,891	10,897	(336)	(32,633)	(12,458)	—	46,441	429,897
(Charge) credit to profit or loss	42,318	(17,507)	27,892	14,640	8,207	12,722	15,373	(300)	5,782	(2,224)	—	16,853	123,756
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	(2,805)	—	—	—	(2,805)
Exchange adjustments	—	—	—	—	—	—	—	—	—	—	7,078	(6,427)	651
Credited to other comprehensive income	—	—	—	—	—	—	—	—	—	—	(23,314)	—	(23,314)
At 31 December 2013 (Restated)	231,188	75,149	63,677	64,612	41,019	30,613	26,270	(636)	(29,656)	(14,682)	(16,236)	56,867	528,185
(Charge) credit to profit or loss	209,111	(776)	75,104	117,929	51,328	9,243	8,229	636	(1,205)	407	—	93,561	563,567
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	(47,770)	—	—	—	(47,770)
Exchange adjustments	—	—	—	—	—	—	—	—	—	—	—	—	—
Credited to other comprehensive income	—	—	—	—	—	—	—	—	—	—	(7,669)	—	(7,669)
At 31 December 2014	440,299	74,373	138,781	182,541	92,347	39,856	34,499	—	(78,631)	(14,275)	(23,905)	150,428	1,036,313

The Group also has tax losses arising in Mainland China of RMB1,739,900,000 (2013: RMB1,519,754,000) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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22. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

The other tax losses unrecognised for deferred tax assets that will expire in

	2014	2013
	RMB'000	*RMB'000*
		(Restated)
2014	**—**	332,824
2015	**137,442**	186,587
2016	**214,018**	250,052
2017	**125,285**	144,660
2018	**578,062**	605,631
2019	**685,093**	—
Total	**1,739,900**	1,519,754

23. OTHER NON-CURRENT ASSETS

	Group		**Company**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Deposits for investment	**—**	3,000	**—**	61,000
Deposits for acquisition of land use rights	**482,271**	494,426	**—**	—
Prepayments for other intangible assets	**—**	7,434	**—**	—
Long term prepaid expenses	**58,456**	34,843	**—**	—
Deposits for acquisition of property, plant and equipment	**110,285**	31,779	**—**	—
Indemnifications from direct insurance *(note 1)*	**88,209**	—	**—**	—
Long-term receivables *(note 2)*	**5,073,839**	2,316,723	**—**	—
Others	**773,817**	494,911	**—**	—
	6,586,877	3,383,116	**—**	61,000

Note 1: This direct insurance relates to the specific pension plan of Rubber & Plastics Business held by ZF Friedrichshafen AG ("Germany BOGE"). Germany BOGE and the labour union already agreed Germany BOGE can withdraw capital from the direct insurance agreement fund directly. Therefore, the direct insurance does not belong to the plan assets. It was classified as loans and receivables because it is non-derivative financial instrument and does not have active trading market which entitled to fixed receipt or determinable payment. Meanwhile, it was subsequent stated at amortised cost.

Note 2: The long-term receivables arised from finance leases. As at 31 December 2014, the unearned finance income in respect of the long-term receivables amounted to RMB1,335,936,000 (2013: RMB685,782,000).

23. OTHER NON-CURRENT ASSETS (CONTINUED)

The maturity profile of the long-term receivables of the Group at the end of the reporting period is as follows:

		Group	
	Notes	**2014** **RMB'000**	2013 RMB'000
Within one year		**1,471,041**	600,701
In the second to tenth years, inclusive		**5,157,591**	2,361,444
Less: Impairment recognised		**(83,752)**	(44,721)
Long-term receivables		**6,544,880**	2,917,424
Analysed for reporting purpose as:			
Current assets	27	**1,471,041**	600,701
Non-current assets		**5,073,839**	2,316,723

24. INVENTORIES

	Group	
	2014 **RMB'000**	2013 RMB'000 (Restated)
Cost, net of provision		
Raw materials	**11,037,985**	5,766,422
Work in progress	**12,048,364**	7,403,673
Finished goods	**7,576,797**	4,799,827
	30,663,146	17,969,922

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25. TRADE RECEIVABLES

The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate. However, in the opinion of the directors of the Company, the Group has effectively granted an average credit period of around three to six months to customers after taking into account the practice of the industry in which the Group conducted its business. The Group seeks to maintain strict control over its outstanding receivables and to closely monitor them to minimise credit risk. Overdue balances are reviewed regularly by senior management. The maximum exposure of the Group's credit risk in respect of trade receivables is equal to the carrying amount of the trade receivables.

	Group	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Trade receivables	**34,863,850**	35,183,774
Less: allowance for doubtful debts	**(1,322,002)**	(780,664)
	33,541,848	34,403,110

An aged analysis of the trade receivables at the end of the reporting period, based on the revenue recognition date and net of provision for impairment of receivables, is as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Within 6 months	**26,015,271**	27,961,751
6 months to 1 year	**4,328,408**	4,185,234
Over 1 year	**3,198,169**	2,256,125
	33,541,848	34,403,110

Aging of trade receivables which are past due but not impaired is as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
6 months to 1 year	**4,328,408**	4,185,234
Over 1 year	**3,198,169**	2,256,125
	7,526,577	6,441,359

Receivables that were neither past due nor impaired relate to some customers for whom there was no recent history of default.

25. TRADE RECEIVABLES (CONTINUED)

Receivables that were past due but not impaired relate to some independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The movements in provision for impairment of trade receivables are as follows:

		Group	
	Note	**2014** ***RMB'000***	2013 *RMB'000* (Restated)
At 1 January		**780,664**	828,030
Impairment loss recognised on receivables	7	**634,215**	252,703
Amounts recovered during the year	7	**(48,401)**	(269,378)
Amount written off as uncollectible		**(40,887)**	(31,362)
Amount rolled out during the year		**(4,910)**	—
Exchange adjustment		**(14)**	(20)
Others		**1,335**	691
At 31 December		**1,322,002**	780,664

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB355,745,000 (2013: RMB48,703,000) with a carrying amount before provision of RMB634,215,000 (2013: RMB252,703,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

Included in trade receivables are the following amounts denominated in a foreign currency:

	Group	
	2014 ***RMB'000***	2013 *RMB'000*
US$	**1,071,855**	1,054,398
Euros ("EUR")	**633,032**	171,805
Swiss franc ("SFr")	**10,005**	—
Singapore dollars ("SGD")	**8,332**	88,742
Japanese yen ("JPY")	**4,435**	5,893
HK$	**730,669**	6,974
AUD	**16,928**	9,892
Great Britain pounds ("GBP")	**10,282**	44,975
CAD	**4,869**	3,954
Malaysian dollars ("MYR")	**127,247**	15,672
Turkish lira ("LT")	**90,637**	13,723
South Africa Rand ("ZAR")	**41,041**	—
	2,749,332	1,416,028

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25. TRADE RECEIVABLES (CONTINUED)

The amounts due from the related parties of the Group included in the trade receivables can be analysed as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
CSR Group and its subsidiaries, excluding the Group (the "CSRG Group")	**69,499**	16,544
Joint ventures	**136,794**	83,545
Associates	**238,719**	185,871
	445,012	285,960

The above balances are unsecured, interest-free and repayable on similar credit terms to those offered to the major customers of the Group.

The details of the above trade receivables pledged to secure general banking facilities granted to the Group are set out in note 32 below.

26. BILLS RECEIVABLE

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

	Group	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Within 6 months	**6,442,704**	6,144,132
6 months to 1 year	**251,037**	—
	6,693,741	6,144,132

The above balances are neither past due nor impaired.

The nature profile of the bills receivable of the Group at the end of the reporting period is as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Bank acceptance bills	**5,073,711**	3,606,636
Commercial acceptance bills	**1,620,030**	2,537,496
	6,693,741	6,144,132

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Prepayments	**4,686,730**	4,917,016	**—**	—
Deposits and other receivables	**5,550,458**	3,185,747	**15,044,127**	9,724,365
Less: allowance for doubtful debts	**(257,224)**	(153,650)	**—**	—
	9,979,964	7,949,113	**15,044,127**	9,724,365

Movements in provision for impairment of prepayments, deposits and other receivables are as follows:

		Group	
	Note	**2014** ***RMB'000***	2013 *RMB'000* (Restated)
At 1 January		**153,650**	140,459
Impairment loss recognised	7	**103,617**	15,695
Written off		**(238)**	(2,504)
Others		**195**	—
At 31 December		**257,224**	153,650

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27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

An analysis of deposits and other receivables is as follows:

	Note	Group	
		2014	2013
		RMB'000	*RMB'000*
			(Restated)
Prepayments		**4,686,728**	4,917,016
Other receivables		**1,991,248**	1,725,390
Dividends receivable		**9,545**	10,691
Long-term receivables due within one year	23	**1,471,041**	600,701
Value added tax recoverables		**1,501,300**	611,848
Others		**320,102**	83,467
As at 31 December		**9,979,964**	7,949,113

The balance due from the related parties included in the prepayments, deposits and other receivables can be analyzed as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
CSRG Group	**—**	3,097	**—**	—
Joint ventures	**3,242**	3,402	**—**	—
Associates	**1,901**	—	**—**	—
	5,143	6,499	**—**	—

The balances due from related parties are unsecured, interest-free and have no fixed terms of repayment.

28. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Cash and bank balances	**18,312,008**	16,470,224	**3,455,741**	3,288,862
Less: Pledged bank deposits	**(2,748,993)**	(1,496,002)	**(1,010,790)**	(1,008,628)
Cash and bank balances in the consolidated statement of financial position	**15,563,015**	14,974,222	**2,444,951**	2,280,234
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(288,897)**	(896,397)	**—**	—
Cash and cash equivalents in the consolidated statement of cash flows	**15,274,118**	14,077,825	**2,444,951**	2,280,234

Included in cash and cash equivalents are the following amounts denominated in a foreign currency:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
— US$	**754,736**	346,057	**111**	110
— HK$	**394,602**	202,029	**—**	—
— MYR	**31,320**	123,312	**—**	—
— South African rand ("ZAR")	**82,913**	101,198	**—**	—
— JPY	**7,805**	71,822	**—**	—
— EUR	**255,078**	62,726	**170**	184
— SGD	**8,821**	21,240	**—**	—
— Other currencies	**115,956**	35,117	**—**	—
	1,651,231	963,501	**281**	294

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The Group's cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality.

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

Pledged bank deposits represented balances pledged to banks for the issuance of the Group's bills payable and letters of credit, and for the grant of bank loans to the Group. Further details of the bank loans are set out in note 32 below.

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29. TRADE PAYABLES

An aged analysis of trade payables at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Within 6 months	**33,931,058**	29,208,972
6 months to 1 year	**2,682,795**	2,051,658
Over 1 year	**1,621,526**	854,852
	38,235,379	32,115,482

The trade payables are non-interest-bearing and are normally settled on six-month terms.

Included in trade payables are the following amounts denominated in a foreign currency:

	Group	
	2014	2013
	RMB'000	*RMB'000*
JPY	**370,891**	73,855
GBP	**19,732**	5,178
MYR	**117,610**	3,335
US$	**538,049**	97,377
EUR	**449,983**	847,747
SFr	**—**	106,629
AUD	**6,113**	2,283
CAD	**110**	14,458
HK$	**68,010**	173,117
ZAR	**20,285**	262
LT	**2,963**	59
Brazilian real	**11,847**	—
	1,605,593	1,324,300

29. TRADE PAYABLES (CONTINUED)

The amounts due to the related parties of the Group included in the trade payables can be analysed as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
CSRG Group	**27,650**	36,979
Joint ventures	**222,120**	109,016
Associates	**18,220**	—
	267,990	145,995

The above balances are unsecured, interest-free and repayable on similar credit terms to those offered by major suppliers of the Group.

30. BILLS PAYABLE

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

	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Within 6 months	**11,275,560**	13,675,679
6 months to 1 year	**1,143,789**	—
	12,419,349	13,675,679

The amounts due to the related parties of the Group included in bills payable can be analysed as follows:

	2014	2013
	RMB'000	*RMB'000*
CSRG Group	**11,970**	17,766
Associate	**1,000**	—
	12,970	17,766

The above balances are interest-free and repayable on similar credit terms to those offered by major suppliers of the Group.

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31. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Other payables	**3,855,316**	3,451,098	**17,701,621**	4,837,645
Advances from customers	**23,184,585**	7,174,346	**—**	—
Accruals	**1,966,605**	1,999,821	**141,617**	168,420
	29,006,506	12,625,265	**17,843,238**	5,006,065

The amounts due to the related parties included in other payables and accruals can be analysed as follows:

	2014	2013
	RMB'000	*RMB'000*
CSRG Group	**275,635**	362,071
Joint ventures	**100,500**	167,917
Associate	**130,631**	—
	506,766	529,988

The above balances are unsecured, interest-free and have no fixed terms of repayment.

32. BORROWINGS

Group

	2014			2013		
	Effective interest rate per annum (%)	**Maturity**	***RMB'000***	Effective interest rate per annum (%)	Maturity	*RMB'000* (Restated)
Current						
Bank loans						
— Secured	**6.00-7.20**	**2015**	**1,012,363**	3.00-6.60	2014	174,570
— Unsecured	**0.06-6.36**	**2015**	**1,539,757**	2.00-6.60	2014	4,161,976
Short-term bonds						
— Unsecured	**—**	**—**	**—**	4.8	2014	2,000,000
Other loans						
— Secured	**3.00-6.60**	**2015**	**76,710**	Interest free	2014	6,185
— Unsecured	**5.04-6.30**	**2015**	**103,000**	Interest free-6.00	2014	773,000
Current portion of long-term bank loans						
— Secured	**0.03-6.22**	**2015**	**343,762**	3.31-6.56	2014	212,255
— Unsecured	**4.20-6.90**	**2015**	**98,174**	4.20-7.00	2014	312,508
Current portion of other loans						
— Secured	**—**	**—**	**—**	5.94	2014	5,000
— Unsecured	**Interest free**	**2015**	**2,000**	Interest free	2014	798
			3,175,766			7,646,292
Non-current						
Bank loans						
— Secured	**0.03-6.22**	**2016-2035**	**1,625,898**	0.20-6.56	2015-2035	376,515
— Unsecured	**interest free-6.90**	**2016-2019**	**1,206,545**	Interest free-7.00	2015-2017	188,599
Long-term bonds						
— Unsecured	**4.70-6.20**	**2017-2023**	**3,700,000**	4.70-5.00	2018-2023	3,000,000
Other loans						
— Unsecured	**5.04**	**2017**	**750,000**	Interest free	2015-2016	3,397
			7,282,443			3,568,511
			10,458,209			11,214,803

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32. BORROWINGS (CONTINUED)

Company

	2014			2013		
	Effective interest rate per annum (%)	**Maturity**	***RMB'000***	Effective interest rate per annum (%)	Maturity	*RMB'000*
Current						
Bank loans						
— Unsecured	**—**	**—**	**—**	5.04-6.60	2014	2,250,000
Short term bonds						
— Unsecured	**—**	**—**	**—**	4.8	2014	2,000,000
Other loans						
— Unsecured	**5.40**	**2015**	**80,000**	—	—	—
Current portion of long term bank loans						
— Unsecured	**—**	**—**	**—**	4.2	2014	300,000
			80,000			4,550,000
Non-current						
Bank loans						
— Unsecured	**4.70**	**2016**	**1,000,000**	—	—	—
Long term bonds						
— Unsecured	**4.70-5.00**	**2018-2023**	**3,000,000**	4.7-5.0	2018-2023	3,000,000
Other loans						
— Unsecured	**5.04**	**2017**	**750,000**	—	—	—
			4,750,000			3,000,000
			4,830,000			7,550,000

32. BORROWINGS (CONTINUED)

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**2,994,056**	4,861,309	**—**	2,550,000
In the second year	**101,955**	437,857	**—**	—
In the third to fifth years, inclusive	**2,724,266**	119,258	**1,000,000**	—
Beyond five years	**6,222**	7,999	**—**	—
	5,826,499	5,426,423	**1,000,000**	2,550,000
Short term bonds repayable:				
Within one year or on demand	**—**	2,000,000	**—**	2,000,000
Long term bonds repayable:				
More than one year	**3,700,000**	3,000,000	**3,000,000**	3,000,000
Other borrowings repayable:				
Within one year or on demand	**181,710**	784,983	**80,000**	—
In the second year	**—**	2,798	**—**	—
In the third to fifth years, inclusive	**750,000**	599	**750,000**	—
	931,710	788,380	**830,000**	—

The above secured bank loans and other banking facilities were secured by certain assets and their carrying amounts are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Property, plant and equipment	**51,612**	34,862	**—**	—
Prepaid lease payments	**21,218**	17,768	**—**	—
Time deposits and bank balances	**2,748,993**	1,496,002	**—**	—
Bills receivable	**215,436**	134,835	**—**	—
Trade receivables	**—**	5,000	**—**	—
	3,037,259	1,688,467	**—**	—

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32. BORROWINGS (CONTINUED)

Included in borrowings are the following amounts denominated in a foreign currency:

	Group	
	2014	2013
	RMB'000	*RMB'000*
US$	**822,861**	842,293
GBP	**53,193**	94,541
HK$	**815,695**	640,777
EUR	**1,737,281**	—
Confederation Helvetica Franc	**61,349**	—
JPY	**36,365**	—
	3,526,744	1,577,611

33. RETIREMENT BENEFIT OBLIGATIONS

In addition to the monthly contributions to various defined contribution pension schemes regulated by the PRC government, the Group provided supplementary pension subsidies and early retirement benefits to certain qualified employees. The amounts of employee benefit obligations recognised in the statement of financial position represent the present value of the unfunded obligations.

Pursuant to the group reorganisation, the Group has terminated the supplementary pension subsidies to its employees who retired at normal retirement ages on 1 July 2007 and thereafter. In addition, the Group did not have any early retirement benefit plan available for its present employees subsequent to 30 June 2007.

During the year, the Group acquired and obtained control of Germany BOGE. The German pension payables are the liabilities which are based on the pension plan provided by Germany BOGE. Germany BOGE's pension plan provides an unfunded defined benefit schemes. According to the Rentenordnung 2005 and Versorgungszusage 2004, Germany BOGE provide traditional German pension planning groups which include normal and early retirement benefits and the benefits provided to the disabled people and the dead staff survivors. These plans are retirement benefit plan, and adjusting capture puts scale by different wage.

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Retirement benefit obligations in the PRC *(note 1)*	**1,484,260**	1,463,320	**10,177**	21,857
Retirement benefit obligations in Germany *(note 2)*	**686,962**	—	**—**	—
	2,171,222	1,463,320	**10,177**	21,857
Analysed for reporting purpose as:				
Current liabilities	**170,261**	139,430	**360**	2,702
Non-current liabilities	**2,000,961**	1,323,890	**9,817**	19,155

33. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Note 1: The movements in the supplementary pension subsidies and early retirement benefit obligations recognised in the statement of financial position are as follows:

	Group		Company	
	2014 *RMB'000*	2013 *RMB'000* (Restated)	**2014** *RMB'000*	2013 *RMB'000*
At beginning of the year	**1,463,320**	1,672,610	**21,857**	15,320
Costs recognised	**44,520**	59,710	**(8,910)**	710
— Interest cost	**61,720**	51,600	**970**	710
— Past service cost	**(7,310)**	8,110	**—**	—
— Effect of settlements	**(9,890)**	—	**(9,880)**	—
Re-measurement of reitrement benefit pension plans	**103,480**	(131,970)	**(1,670)**	9,857
Benefits paid	**(127,060)**	(137,030)	**(1,100)**	(4,030)
At end of year	**1,484,260**	1,463,320	**10,177**	21,857

The provision for supplementary pension subsidies and early retirement benefits recognised in the statement of financial position is determined as follows:

	Group		Company	
	2014 *RMB'000*	2013 *RMB'000* (Restated)	**2014** *RMB'000*	2013 *RMB'000*
Present value of unfunded benefit obligations	**1,484,260**	1,463,320	**10,177**	21,857
Net liability arising from defined benefit obligations	**1,484,260**	1,463,320	**10,177**	21,857
Amout due within one year	**(141,537)**	(139,430)	**(360)**	(2,702)
Amout due within after one year	**1,342,723**	1,323,890	**9,817**	19,155

The above employee benefit obligations were determined based on actuarial valuation performed by Towers Watson, an independent actuary, whose registered office is located at 1266 Nanjing West Road, 39/F, Plaza 66, Shanghai, the PRC, using the projected unit credit method and the material actuarial assumptions used in valuing these obligations are as follows:

	2014 %	2013 %
Discount rate adopted	**3.50/3.75**	4.75
Healthcare cost trend	**8.00**	8.00

The following sensitivity analysis is based on the reasonable possible changes of relevant assumptions on the date of financial statement position (assuming all other assumptions unchanged).

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33. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Note 1: (continued)

A one percentage point change in the assumed discount rate would have the following effects:

	Retirement benefit obligation	
	Increase	**Decrease**
	RMB'000	*RMB'000*
Discount rate	(24,750)	21,790

A one percentage point change in the assumed rate of increase in healthcare cost would have the following effects:

	Retirement benefit obligation	
	Increase	**Decrease**
	RMB'000	*RMB'000*
Rate of increase in healthcare cost	103,890	(121,420)

Since some of the assumptions may be associated to each other, an assumption cannot change in isolation, so the above sensitivity analysis may not reflect the actual change of present value of retirement benefit obligation.

Note 2: For the period from 1 September 2014 ("Date of acquisition") to 31 December 2014, the present value of the defined benefit plan changes as follows:

	RMB'000
Date of acquisition	624,959
Costs recognised	44,727
— Current service cost	39,596
— Interest cost	5,131
The impact of exchange rate differences	17,276
At end of year	686,962

The provision for pensions plans provided by Germany BOGE recognised in the statement of financial position is determined as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Present value of unfunded benefit obligations	**686,962**	—
Net liability arising from defined benefit obligations	**686,962**	—
Amout due within one year	**(28,724)**	—
Amout due within after one year	**658,238**	—

The average duration of the defined benefit obligation at 31 December 2014 is 23 years.

Germany BOGE established direct insurance in Germany to support the retirement benefit plan, details refer to note 23.

33. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The retirement benefit obligation of Germany BOGE was determined based on projected unit credit method by Mercer Deutschland GmbH. Except with life forecast of hypothesis, other important assumptions are as follows:

	2014
	%
Discount rate adopted	**2.50**
Expected growth of wages and salaries	**2.70**
Growth of pension	**1.30**
Fluctuation	**2.00**

The expected growth of wages and salaries mainly depends on inflation, wage standards; Germany BOGE's operating performance and other factors.

34. PROVISION FOR WARRANTIES

		Group	
		2014	2013
	Note	***RMB'000***	*RMB'000*
			(Restated)
At 1 January		**1,742,481**	1,451,682
Acquisitions of subsidiaries	38	**126,345**	—
Charged for the year	7	**2,311,811**	1,065,748
Utilised during the year		**(1,075,013)**	(774,949)
At 31 December		**3,105,624**	1,742,481
Analysed for reporting purpose as:			
Current liabilities		**1,310,265**	595,196
Non-current liabilities		**1,795,359**	1,147,285

The above represents the warranty costs for repairs and maintenance, which are estimated based on prevailing after-sales service policies, the sales volume and the past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

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35. GOVERNMENT GRANTS

		Group	
	Note	**2014**	2013
		RMB'000	*RMB'000*
			(Restated)
At 1 January		**2,050,161**	1,207,823
Government grants received during the year		**673,697**	1,969,574
Recognised as other income during the year	6	**(788,331)**	(948,776)
Recognised as revenue during the year		**—**	(178,460)
At 31 December		**1,935,527**	2,050,161
Analysed for reporting purpose as:			
Current liabilities		**192,852**	234,832
Non-current liabilities		**1,742,675**	1,815,329

Government grants received are mainly for the purpose of research and development, investment in property, plant and equipment and prepaid lease payments from the local government for encouraging the Group to develop.

36. SHARE-BASED PAYMENT TRANSACTIONS

The expense recognised for the share option scheme for the years ended 31 December 2014 and 2013 is as follows:

	2014	2013
	RMB'000	*RMB'000*
Equity-settled share option expense:		
Forfeiture of first batch of share option expense	**—**	(40,469)
Forfeiture of second batch of share option expense	**(44,416)**	—
Share option expense on second batch of share options	**—**	29,611
Share option expense on third batch of share options	**13,037**	—
	(31,379)	(10,858)

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

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

36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

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

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

The fair value of the share options in 2011 was RMB151,010,000. Due to the forfeited of the second batch of the vesting share options in the current year, the Group reversed the relevant cost recorded in the previous year by RMB44,416,000. And meanwhile the Group confirmed the cost of the third share option batch by RMB13,037,000.

The validity period of the second batch of the vesting share options was from the first trading day of 36 months after the grant date to the last trading day of 72 months after the grant date. The vesting period became due on 26 April 2014. As the performance of the year 2013 did not meet the presented revenue growth requirement (the year growth rate of revenue not lower than 25%), the share options expired. Up to the date of 31 December 2014, 24,838,454 share options expired.

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

	2014 ***Number***	2013 *Number*
Outstanding at the beginning of the year	**24,403,333**	36,605,000
Expired during the year	**(12,636,787)**	(12,201,667)
Outstanding at the end of the year	**11,766,546**	24,403,333
Shares of the vesting share options at end of the year	**—**	—

At 31 December 2014, the share options which had not been exercised would be mature after 7 years from the granted day.

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37. EQUITY

Share capital

	Group	
	2014 and 2013	
	Number of shares	*RMB'000*
Registered and fully paid		
— State-owned shares of RMB1.00 each	7,889,406,857	7,889,407
— A shares of RMB1.00 each	3,889,593,143	3,889,593
— H shares of RMB1.00 each	2,024,000,000	2,024,000
	13,803,000,000	13,803,000

There was no change in the Company's share capital during the year.

Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Equity movements

	Company						
	Share capital *RMB'000*	Capital reserve *RMB'000*	Share option reserve *RMB'000*	Retirement benefit obligations re-measurement reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2013	13,803,000	13,959,047	90,106	—	766,001	3,083,386	31,701,540
Profit for the year	—	—	—	—	—	2,779,837	2,779,837
Re-measurement losses on retirement benefit obligations	—	—	—	(9,857)	—	—	(9,857)
Transfer from profit	—	—	—	—	277,984	(277,984)	—
Dividends distributed	—	—	—	—	—	(1,242,270)	(1,242,270)
Recognition of equity-settled share based payments	—	—	(10,858)	—	—	—	(10,858)
At 31 December 2013	13,803,000	13,959,047	79,248	(9,857)	1,043,985	4,342,969	33,218,392
Profit for the year	—	—	—	—	—	793,269	793,269
Re-measurement gains on retirement benefit obligations	—	—	—	1,670	—	—	1,670
Transfer from profit	—	—	—	—	79,327	(79,327)	—
Dividends distributed	—	—	—	—	—	(1,242,270)	(1,242,270)
Recognition of equity-settled share based payments	—	—	(31,664)	—	—	—	(31,664)
At 31 December 2014	13,803,000	13,959,047	47,584	(8,187)	1,123,312	3,814,641	32,739,397

38. ACQUISITION OF BUSINESS

38.1 Acquisition during the year ended 31 December 2014

(a) Acquisitions from independent third parties

(1) CSR Zhejiang Electric Vehicles Co., Ltd. ("CSR Zhejiang")

On 1 September 2014, Zhuzhou Locomotive and Zhu Fenglinhong and Hongxun Investment Co., Ltd. jointly entered into an equity transfer agreement. Zhuzhou Locomotive acquired 51% interest in CSR Zhejiang (previously named Ningbo Jijiang Automotive Manufacturing Co., Ltd) at a cash consideration of RMB15,300,000. After the completion of the transaction, the Group has got the control of CSR Zhejiang and the transaction has been accounted for as business combination using the acquisition method.

Type of subsidiaries	Place of incorporation	Nature of business	Business scope
Limited liability company	Ningbo	Manufacturing	The production of passenger car and van truck, the research and development, manufacturing, system integration and services of intelligent transport system, computer software and products.

The fair value of recognised net assets have been evaluated by Zhongshuizhiyuan Assets Appraisal Co., Ltd.

After the acquisition, Zhuzhou Locomotive and the non-controlling shareholders made capital injection proportionately to CSR Zhejiang and the registered share capital of CSR Zhejiang was increased to RMB40,800,000.

	Fair value *RMB'000*
Property, plant and equipment	4,170
Inventories	1,068
Prepayments, deposits and other receivables	138
Cash and bank balances	28,017
Bills payable	(38,000)
Other payables and accruals	(85)
Tax payable	(7,393)
	(12,085)
Consideration transferred	15,300
Plus: non-controlling interests	(5,922)
Less: net assets acquired	12,085
Goodwill arising on acquisition	21,463
Satisfied by:	
Cash and cash equivalents	15,300

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38. ACQUISITION OF BUSINESS (CONTINUED)

38.1 Acquisition during the year ended 31 December 2014 (continued)

(a) Acquisitions from independent third parties (continued)

***(1) CSR Zhejiang* (continued)**

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

Other receivables acquired with a fair value of RMB138,000 at the date of acquisition had gross contractual amounts of RMB138,000.

Non-controlling interests

The non-controlling interests in CSR Zhejiang (49%) recognised at the acquisition date were measured by reference to the proportionate share of recognised amounts of net liabilities of CSR Zhejiang and amounted to RMB(5,922,000).

The goodwill recognised above is attributed to the expected synergies and other benefits from combining the assets and activities of CSR Zhejiang with those of the Group. None of the recognised goodwill is expected to be deductible for income tax purposes.

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

	RMB'000
Consideration paid in cash	15,300
Less: Cash and bank balances acquired	(28,017)
Net inflow of cash and bank balances included in cash flows from the acquisition of subsidiaries	12,717

The financial impact of acquisition of CSR Zhejiang on the Group was insignificant.

38. ACQUISITION OF BUSINESS (CONTINUED)

38.1 Acquisition during the year ended 31 December 2014 (continued)

(a) Acquisitions from independent third parties (continued)

(2) Germany BOGE

On 10 December 2013, ZTNM entered into a master acquisition agreement and ZTNM acquired 100% equity interests of Germany BOGE at cash consideration of Euro244,700,000 (equivalently to approximately RMB1,981,713,000). ZTNM controlled Germany BOGE on 1 September 2014.

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

	Fair value *RMB'000* **(provisional)**
Property, plant and equipment	1,364,317
Other intangible assets	373,843
Deferred tax assets	12,001
Other non-current assets	94,530
Inventories	509,621
Trade receivables	449,507
Bill receivables	14,284
Prepayments, deposits and other receivables	76,887
Cash and bank balances	213,731
Trade payables	(458,680)
Other payables and accruals	(266,067)
Borrowings-due within one year	(24,287)
Tax payable	(31,128)
Provision for warranties	(126,345)
Retirement benefit obligations	(624,959)
Deferred tax liabilities	(59,771)
Other non-current liabilities	(212,849)
Long-term payables	(62,753)
	1,241,882
Consideration transferred	1,981,713
Plus: non-controlling interests	—
Less: net assets acquired	(1,241,882)
Goodwill arising on acquisition	739,831
Satisfied by:	
Cash and cash equivalents	1,981,713

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38. ACQUISITION OF BUSINESS (CONTINUED)

38.1 Acquisition during the year ended 31 December 2014 (continued)

(a) Acquisitions from independent third parties (continued)

(2) Germany BOGE **(continued)**

Acquisition-related costs relating to the above acquisition are RMB110,649,000 and have been excluded from the cost of acquisitions and recognised directly as administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The receivables acquired (primarily comprised of trade and other receivables) with a fair value of RMB519,861,000 at the date of acquisition had gross contractual amounts of RMB521,196,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB1,335,000.

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

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

An analysis of the cash flow in respect of the acquisition of the Germany BOGE is as follows:

	RMB'000
Consideration paid in cash	(1,981,713)
Less: Cash and bank balances acquired	213,731
Net outflow of cash and bank balances included in cash flows from the acquisition of subsidiaries	(1,767,982)

Included in the profit for the year ended 31 December 2014 was a loss of RMB49,435,000 attributable to Germany BOGE. Revenue for the year ended 31 December 2014 includes RMB1,786,148,000 attributable to Germany BOGE.

Had the acquisition of Germany BOGE been completed on 1 January 2014, total group revenue for the year ended 31 December 2014 would have been approximately RMB121,773,406,000 and profit for the year ended 31 December 2014 would have been approximately RMB6,612,814,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2014, nor is it intended to be a projection of future results.

38. ACQUISITION OF BUSINESS (CONTINUED)

38.1 Acquisition during the year ended 31 December 2014 (continued)

(a) Acquisitions from independent third parties (continued)

(3) Other acquisitions

As at 31 December 2014, Zhuzhou Locomotive, Zhuzhou Locomotive Research Institute and CSR Yangtze obtained control of CSR Nanning Railway Traffic Equipment Co., Ltd, CSR Guangzhou Railway Transportation Research Institute Co., Ltd, CSR MNG Rail System Vehicles Industry and Commerce Ltd. Co., E + M Drilling Technologies GmbH and CSR Yangtze (Australia) Vehicle Technology Service Co., Ltd pursuant to the amendments to the Articles of Association of these entities or supplemental agreements signed, these entities were previously joint ventures of the Group. The fair values of the identifiable assets and liabilities of the above acquired subsidiaries as at the date of acquisition were as follows:

	Fair value *RMB'000*
Property, plant and equipment	379,729
Prepaid lease payments	22,589
Other intangible assets	590
Other non-current assets	8,040
Inventories	43,980
Trade receivables	8,861
Prepayments, deposits and other receivables	107,927
Cash and bank balances	158,284
Trade payables	(20,520)
Other payables and accruals	(12,043)
Borrowings — due within one year	(14,898)
Borrowings — due after one year	(201,927)
Other non-current liabilities	(9,000)
	471,612
Consideration transferred	281,360
Plus: non-controlling interests	190,252
Less: net assets acquired	(471,612)
Goodwill arising on acquisition	—
Satisfied by:	
Fair value of previously held interests in joint ventures	281,360

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

The receivables acquired (primarily comprised of trade and other receivables) with a fair value of RMB54,529,000 at the date of acquisition had gross contractual amounts of RMB54,529,000.

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38. ACQUISITION OF BUSINESS (CONTINUED)

38.1 Acquisition during the year ended 31 December 2014 (continued)

(a) Acquisitions from independent third parties (continued)

(3) Other acquisitions **(continued)**

Non-controlling interests

The non-controlling interests in the acquisitions of the above subsidiaries recognised at the acquisition date were measured by reference to the proportionate share of recognised amounts of net assets of the acquisitions of the above subsidiaries and amounted to RMB190,252,000.

An analysis of the cash flow in respect of the acquisitions of the above subsidiaries is as follows:

	RMB'000
Consideration paid in cash	—
Less: Cash and bank balances acquired	(158,284)
Net inflow of cash and bank balances included in cash flows from the acquisitions of subsidiaries	158,284

The financial impact of acquisition of the above subsidiaries on the Group was insignificant.

38. ACQUISITION OF BUSINESS (CONTINUED)

38.1 Acquisition during the year ended 31 December 2014 (continued)

(b) Acquisition of railway freight wagon business from CSRG

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

As the Group and South Huiton were under common control of CSRG before and after the 2014 acquisition, the acquisition is considered as a combination of business under common control. The principle of merger accounting for business combination involving entities under common control has therefore been applied, pursuant to which the consolidated financial statements of the Group have been prepared as if the railway freight wagon business of South Huiton have been subsidiaries of the Company since the beginning of year 2013. Accordingly, the assets and liabilities of the railway freight wagon business of South Huiton have been accounted for at carrying amounts in the books of the Group and the consolidated financial statements of the Group prior to this acquisition have been restated to include the results of operations and cash flows on a combined basis. The consideration paid and payable has been accounted for as an equity transaction in the consolidated statement of changes in equity. Respective notes to the consolidated financial statements have also been restated. All significant intra-group transactions, balances, income and expense are eliminated on combination.

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38. ACQUISITION OF BUSINESS (CONTINUED)

38.1 Acquisition during the year ended 31 December 2014 (continued)

(b) Acquisition of railway freight wagon business from CSRG (continued)

As a result of the acquisition of railway freight wagon business, the relevant line items in the consolidated statement of financial position at 31 December 2013 and the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013 have been restated as follows:

	The Group (as previously reported) *RMB'000*	Railway freight wagon business *RMB'000*	Eliminations *RMB'000*	The Group (Restated) *RMB'000*
Consolidated statement of financial position as at 31 December 2013:				
Property, plant and equipment	25,200,595	500,805	—	25,701,400
Prepaid lease payments- non-current portion	4,416,441	28,509	—	4,444,950
Other intangible assets	741,875	1,924	—	743,799
Deferred tax assets	586,193	3,202	—	589,395
Other non-current assets	3,373,530	9,586	—	3,383,116
Prepaid lease payments — current portion	104,152	1,276	—	105,428
Inventories	17,721,119	248,803	—	17,969,922
Trade receivables	34,120,810	347,804	(65,504)	34,403,110
Bills receivable	6,196,202	2,900	(54,970)	6,144,132
Prepayments, deposits and other receivables	7,757,464	193,233	(1,584)	7,949,113
Tax recoverable	46,060	327	—	46,387
Pledged bank deposits	1,495,037	965	—	1,496,002
Cash and bank balances	14,905,100	69,122	—	14,974,222
Others	4,464,834	—	—	4,464,834
Total assets	121,129,412	1,408,456	(122,058)	122,415,810
Trade payables	31,798,126	384,444	(67,088)	32,115,482
Bills payable	13,574,959	155,690	(54,970)	13,675,679
Other payables and accruals	12,517,523	107,742	—	12,625,265
Borrowings — due within one year	7,606,292	40,000	—	7,646,292
Tax payable	500,684	1,258	—	501,942
Retirement benefit obligations — non-current portion	1,232,950	90,940	—	1,323,890
Government grants — non-current portion	1,815,032	297	—	1,815,329
Others	5,929,215	—	—	5,929,215
Total liabilities	74,974,781	780,371	(122,058)	75,633,094
Net assets	46,154,631	628,085	—	46,782,716
Equity attributable to equity shareholders of the Company	36,559,903	570,618	—	37,130,521
Non-controlling interests	9,594,728	57,467	—	9,652,195
Total equity	46,154,631	628,085	—	46,782,716

38. ACQUISITION OF BUSINESS (CONTINUED)

38.1 Acquisition during the year ended 31 December 2014 (continued)

(b) Acquisition of railway freight wagon business from CSRG (continued)

	The Group (as previously reported) *RMB'000*	Railway freight wagon business *RMB'000*	Eliminations *RMB'000*	The Group (Restated) *RMB'000*
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013:				
Revenue	96,525,052	1,292,888	(162,937)	97,655,003
Cost of sales	(79,896,059)	(1,116,486)	166,035	(80,846,510)
Gross profit	16,628,993	176,402	3,098	16,808,493
Profit for the year	5,074,154	26,895	—	5,101,049
Other comprehensive income, net of income tax	410,138	—	—	410,138
Total comprehensive income for the year	5,484,292	26,895	—	5,511,187

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38. ACQUISITION OF BUSINESS (CONTINUED)

38.1 Acquisition during the year ended 31 December 2014 (continued)

(b) Acquisition of railway freight wagon business from CSRG (continued)

As at 1 January 2013

	The Group (as previously reported) *RMB'000*	Railway freight wagon business *RMB'000*	Eliminations *RMB'000*	The Group (Restated) *RMB'000*
Consolidated statement of financial position as at 1 January 2013				
Property, plant and equipment	22,970,563	420,484	—	23,391,047
Prepaid lease payments	4,456,656	—	—	4,456,656
Other intangible assets	554,326	4,349	—	558,675
Deferred tax assets	469,695	5,629	—	475,324
Other non-current assets	1,308,337	74,694	—	1,383,031
Inventories	18,770,236	253,910	—	19,024,146
Trade receivables	26,618,776	243,075	(74,496)	26,787,355
Bills receivable	3,735,597	5,119	—	3,740,716
Prepayments, deposits and other receivables	8,058,186	231,595	(4)	8,289,777
Tax recoverable	24,314	—	—	24,314
Pledged bank deposits	547,429	—	—	547,429
Cash and bank balances	14,497,265	121,423	—	14,618,688
Others	3,205,921	—	—	3,205,921
Total assets	105,217,301	1,360,278	(74,500)	106,503,079
Trade payables	26,714,857	384,407	(74,496)	27,024,768
Bills payable	12,948,103	165,515	—	13,113,618
Other payables and accruals	11,929,561	74,056	(4)	12,003,613
Borrowings — due within one year	8,595,597	30,000	—	8,625,597
Tax payable	461,236	1,868	—	463,104
Retirement benefit obligations — non-current portion	1,437,450	103,840	—	1,541,290
Government grants — non-current portion	972,229	—	—	972,229
Others	2,648,407	9,203	—	2,657,610
Total liabilities	65,707,440	768,889	(74,500)	66,401,829
Net assets	39,509,861	591,389	—	40,101,250
Equity attributable to equity shareholders of the Company	32,755,427	545,627	—	33,301,054
Non-controlling interests	6,754,434	45,762	—	6,800,196
Total equity	39,509,861	591,389	—	40,101,250

38. ACQUISITION OF BUSINESS (CONTINUED)

38.2 Acquisition during the year ended 31 December 2013

On 14 May 2013, ZTNM acquired 10% more equity interest in CSR Huaxuan by injecting a cash amount of RMB6,671,000 individually, after which ZTNM owned 60% equity interest in CSR Huaxuan. From then, according to the revised articles of association, CSR Huaxuan became the subsidiary of ZTNM. As at the date of acquisition, the fair value of initial acquired 50% equity interest was RMB24,472,000.

According to the evaluation results of the independent appraiser, the fair values of the identifiable assets and liabilities of the above acquired subsidiary as at the date of acquisition were as follows:

	Fair value *RMB'000*
Property, plant and equipment	17,928
Prepaid land lease payments	6,907
Other intangible assets	8,558
Inventories	10,987
Trade receivables	6,005
Bills receivable	390
Prepayments, deposits and other receivables	20,912
Cash and cash equivalents	14,643
Borrowing	(7,000)
Deferred tax liabilities	(2,805)
Other non-current liabilities	(720)
Trade payables	(2,425)
Bills payable	(730)
Other payables and accruals	(40,640)
Non-controlling interests	(12,804)
Net assets acquired	19,206
Goodwill arising on acquisition	11,937
	31,143

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. BUSINESS COMBINATION (CONTINUED)

38.2 Acquisition during the year ended 31 December 2013 (continued)

	Fair value *RMB'000*
Satisfied by:	
Cash	6,671
Fair value of previously held interest in Joint Venture	24,472
Total consideration	31,143

An analysis of the cash flow in respect of the acquisitions of the above subsidiaries is as follows:

	RMB'000
Consideration paid in cash	6,671
Less: Cash and bank balance acquired	(14,643)
Net inflow of cash and bank balances included in cash flows from acquisition of subsidiaries	(7,972)

The fair value of the trade receivables as at the date of acquisition amounted to RMB6,005,000. The gross contractual amounts of trade receivables were RMB6,696,000, of which trade receivables of RMB691,000 are expected to be uncollectible.

From the date of acquisition, CSR Huaxuan has contributed RMB25,606,000 of revenue and RMB2,421,000 to the net profit after tax of the Group. If the combination had taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB97,655,421,000 and RMB5,097,377,000, respectively.

The goodwill recognised above is attributed to the expected synergies and other benefits from combining the assets and activities of CSR Huaxuan with those of the Group. None of the recognised goodwill is expected to be deductible for income tax purposes.

The transaction costs of RMB350,000 have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

39. COMMITMENTS

Operating lease commitments

(a) As lessor

The Group leases certain items of property, plant and equipment under operating lease arrangements negotiated for terms ranging from 1 to 20 years.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2014 ***RMB'000***	2013 *RMB'000*
Within one year	**33,695**	17,056
In the second to fifth years, inclusive	**67,685**	61,454
More than five years	**55,705**	64,015
	157,085	142,525

(b) As lessee

The Group's future minimum rental payables under non-cancellable operating leases in respect of land and buildings at the end of the reporting period are as follows:

	2014 ***RMB'000***	2013 *RMB'000*
Within one year	**65,601**	26,876
In the second to fifth years, inclusive	**144,511**	66,791
More than five years	**94,710**	31,074
	304,822	124,741

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For the year ended 31 December 2014

39. COMMITMENTS (CONTINUED)

Capital commitments

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

	2014 RMB'000	2013 RMB'000
Contracted, but not provided for:		
— Property, plant and equipment	**1,456,681**	2,432,890
— Prepaid land lease payments	**57,859**	30,086
— Other intangible assets	**15,870**	14,051
— Investment in setting up new entities	**510,208**	2,441,481
	2,040,618	4,918,508

	2014 RMB'000	2013 RMB'000
Authorised, but not contracted for:		
— Property, plant and equipment	**875,722**	1,197,634
— Prepaid land lease payments	**67,200**	10,500
— Other intangible assets	**—**	13,488
	942,922	1,221,622

In addition, the Group's share of the joint ventures' capital commitments, which are not included in the above, is as follows:

	2014 RMB'000	2013 RMB'000
Contracted, but not provided for:		
— Property, plant and equipment	**—**	18,000
Authorised, but not contracted for:		
— Investments in associates	**78,840**	—

40. CONTINGENT LIABILITIES

As at 31 December 2014 and 2013, the Group had no significant contingent liabilities.

The Company had the following contingent liabilities not provided for in the financial statements at the end of the reporting period:

	Company	
	2014	2013
	RMB'000	*RMB'000*
Guarantees given to banks in connection with facilities granted to:		
Subsidiaries	**9,926,791**	9,649,397

As at 31 December 2014, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately RMB9,672,630,000 (2013: RMB9,637,260,000).

41. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year.

In the opinion of the directors, the transactions below were conducted in the ordinary course of business of the Group and are in accordance with the terms agreed between the Group and its related parties.

	Group	
	2014	2013
	RMB'000	*RMB'000*
41.1 Purchases of materials and components from:		
CSRG Group*	**277,118**	177,526
Joint ventures	**1,381,619**	602,572
Associates	**50,050**	7,483
	1,708,787	787,581
41.2 Services cost from:		
CSRG Group*	**7,649**	—
41.3 Sale of goods to:		
CSRG Group*	**198,990**	128,581
Joint ventures	**1,145,913**	937,716
Associates	**315,838**	355,043
	1,660,741	1,421,340

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For the year ended 31 December 2014

41. RELATED PARTY TRANSACTIONS (CONTINUED)

	Group	
	2014	2013
	RMB'000	*RMB'000*
41.4 Provision of services to:		
CSRG Group*	**3,828**	858
Joint ventures	**4,728**	2,529
Associates	**238,534**	—
	247,090	3,387
41.5 Rental of Property, Plant and Equipment to:		
CSRG Group*	**300**	—
Joint ventures	**3,569**	—
	3,869	—
Rental of Property, Plant and Equipment and other intangible assets from:		
CSRG Group*	**39,943**	24,063

41.6 Loans from related parties

	Amount	Start date	Maturity date
Lender			
CSRG Group*	157,666	note	note
CSRG Group*	750,000	24/12/2014	23/12/2017
CSRG Group*	80,000	28/11/2014	27/11/2015
CSRG Group*	30,000	31/10/2014	29/4/2015
Borrower			
CSRG Group*	30,000	27/8/2014	26/8/2016
CSRG Group*	50,000	25/9/2014	24/9/2015

Note: It is unsecured, non-interest bearing and repayable on demand.

41. RELATED PARTY TRANSACTIONS (CONTINUED)

	Group	
	2014	2013
	RMB'000	*RMB'000*
41.7 Purchase of property, plant and equipment from:		
CSRG Group*	**31,827**	—
41.8 Purchase of intangible assets from:		
CSRG Group*	**3,958**	—
41.9 Compensation of key management personnel of the Group:		
Short term employee benefits	**11,184**	9,123
Post-employment benefits	**555**	512
Total compensation paid/payable to key management personnel *(Note a)*	**11,739**	9,635
Number of share options to key management personnel *(unit: share) (Note b)*	**534,732**	1,069,466

Note:

(a) For the changes of key management personnel occurred during the year, the above compensation was based on the actual period of their tenure of office.

(b) The Group reversed the expense by RMB1,958,000 recognised in prior years since the second batch of share options was forfeited in 2014. Meanwhile, the Group recognised the share option expense for the third batch of share options by RMB572,000 for the year ended 31 December 2014.

The Group reversed the expense by RMB1,774,000 recognised in prior years since the first batch of share options was forfeited in 2013. Meanwhile, the Group recognised the share option expense for the second batch of share options by RMB734,000 and the third batch of share options by RMB572,000 for the year ended 31 December 2013.

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For the year ended 31 December 2014

41. RELATED PARTY TRANSACTIONS (CONTINUED)

	Group	
	2014	2013
	RMB'000	*RMB'000*
41.10 Share base payment:		
An associate	**(285)**	—
41.11 The other major related party transactions:		
Interest income:		
CSRG Group*	**3,110**	1,650
Interest expense:		
CSRG Group*	**49,279**	1,950
Guarantees received from:		
CSRG Group*	**8,028**	7,999

41.12 Commitments with related parties:

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

	2014	2013
	RMB'000	*RMB'000*
Sale of goods to:		
Joint ventures	**—**	201,452
Purchase of materials and components from:		
Joint ventures	**677,585**	734,959
CSRG Group	**8,508**	1,809
	686,093	736,768

41. RELATED PARTY TRANSACTIONS (CONTINUED)

41.13 Transactions with government-related entities in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled/jointly controlled/significantly influenced by the PRC Government (collectively the "government-related entities"). During the year, the Group entered into extensive transactions with these government-related entities including, but not limited to, sales and purchases. As explained in note 5 to the financial statements, the China Railway Corporation and entities invested and managed by local railway departments are identified as a single government-related entity by the directors of the Company, and the revenue from the government-related entity amounted to RMB55,227,316,000 (2013: RMB40,017,603,000) for the year ended 31 December 2014.

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

* Such related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

42. FINANCIAL INSTRUMENTS

42.1 Categories of financial instruments

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

As at 31 December 2014

Financial assets

	Group			
	Loans and receivables *RMB'000*	Available-for-sale investments *RMB'000*	Financial assets at fair value through profit or loss *RMB'000*	Total *RMB'000*
Available-for-sale investments	—	5,372,453	—	5,372,453
Derivative financial instruments	—	—	6	6
Trade receivables	33,541,848	—	—	33,541,848
Bills receivable	6,693,741	—	—	6,693,741
Financial assets included in prepayments, deposits and other receivables	3,713,279	—	—	3,713,279
Pledged bank deposits	2,748,993	—	—	2,748,993
Cash and bank balances	15,563,015	—	—	15,563,015
Financial assets included in other non-current assets	5,791,940	—	—	5,791,940
Loans and advances to customers (including amounts due with one year)	79,200	—	—	79,200
	68,132,016	5,372,453	6	73,504,475

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42. FINANCIAL INSTRUMENTS (CONTINUED)

42.1 Categories of financial instruments (continued)

As at 31 December 2013

	Group			
	Loans and receivables *RMB'000*	Available-for-sale investments *RMB'000*	Financial assets at fair value through profit or loss *RMB'000*	Total *RMB'000*
Available-for-sale investments	—	1,408,842	—	1,408,842
Financial assets at fair value through profit or loss	—	—	6,746	6,746
Derivative financial instruments	—	—	4,243	4,243
Trade receivables	34,403,110	—	—	34,403,110
Bills receivable	6,144,132	—	—	6,144,132
Financial assets included in prepayments, deposits and other receivables	2,420,249	—	—	2,420,249
Pledged bank deposits	1,496,002	—	—	1,496,002
Cash and bank balances	14,974,222	—	—	14,974,222
Financial assets included in other non-current assets	2,705,049	—	—	2,705,049
Loans and advances to customers	30,000	—	—	30,000
	62,172,764	1,408,842	10,989	63,592,595

Financial liabilities

	Group	
	Financial liabilities at amortised cost 2014 ***RMB'000***	Financial liabilities at amortised cost 2013 *RMB'000*
Trade payables	**38,235,379**	32,115,482
Bills payable	**12,419,349**	13,675,679
Financial liabilities included in other payables and accruals	**5,028,394**	4,319,845
Interest-bearing bank and other borrowings	**10,458,209**	11,214,803
Due to customers	**135,588**	33,157
Long-term payables (including amounts due within one year)	**308,691**	—
	66,585,610	61,358,966

42. FINANCIAL INSTRUMENTS (CONTINUED)

42.2 Financial risk management objectives and policies

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, and cash and cash equivalents. 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 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, interest rate risk and foreign currency risk. The board of directors reviews and agrees on policies for managing each of these risks and they are summarised below:

Credit risk

Credit risk means the risk of loss in respect of a financial instrument when the counterparty to the financial instrument cannot execute its obligations.

The Group only transacts with those third parties who are recognised as creditworthy. The Group's policy is to perform credit verification for all customers who have transactions with the Group. Further, credit limits, credit terms and sales methods are determined based on the credit ratings of customers.

For sales under credit terms, a sales contract shall stipulate the payment term and credit amounts. The payment date should not exceed the credit term, and the credit amount in aggregate should not exceed the credit limit.

For cash on delivery sales, goods are only delivered after the completion of cash collection procedures.

In addition, the Group continuously monitors its trade receivable balances, and insists that salespersons are responsible for cash collection, and persons who approve sales contracts are accountable for the collection of receivables. For receivables which are not collected in three years, the relevant personnel have the responsibility to make compensation so as to ensure that the Group will not be subject to material bad debt risk.

The Group's other financial assets include cash and cash equivalents, and other receivables. The credit risk of these financial assets arises from default of counterparties who transact with the Group, with a maximum exposure equal to the carrying amounts of these instruments.

The Group's principal customers are the China Railway Corporation and entities invested and managed by local railway departments. Since the Group only trades with third parties recognised to be creditworthy, no pledge of assets is required from the customers. Concentrations of credit risk are managed by customers.

Liquidity risk

Liquidity risk means the risk that an enterprise may encounter difficulties to obtain adequate financing to repay the debts related to financial instruments. Liquidity risk may arise from the liability to dispose of financial assets promptly, the counterparty who cannot repay its contracted debt obligations, or from the liability to generate the expected cash flows.

The Group's objectives are to maintain a balance between continuity and flexibility through measures such as bills settlement, loans and short term commercial paper, to adopt an appropriate combination of long term and short term financing, and to improve the financing structure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

42. FINANCIAL INSTRUMENTS (CONTINUED)

42.2 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Group has already obtained banking facilities from various commercial banks for its working capital and capital expenditure. The Group's management monitors the working capital position to ensure that there is adequate liquidity to meet with all the financial obligations when they become due and to maximise the return of the Group's financial resources.

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

As at 31 December 2014

	Group					
	On demand or less than one year *RMB'000*	1-2 years *RMB'000*	3-5 years *RMB'000*	>5 years *RMB'000*	Total undiscounted Cash Flows *RMB'000*	Carrying Amount at 31/12/2014 *RMB'000*
Non-derivative financial liabilities						
Borrowings	3,547,232	1,425,810	5,180,850	1,756,226	11,910,118	10,458,209
Trade payables	38,235,379	—	—	—	38,235,379	38,235,379
Bills payable	12,419,349	—	—	—	12,419,349	12,419,349
Financial liabilities included in other payables and accruals	5,028,394	—	—	—	5,028,394	5,028,394
Due to customers	136,063	—	—	—	136,063	135,588
Long-term payables (include amounts due within one year)	87,667	85,913	162,427	—	336,007	308,691
	59,454,084	1,511,723	5,343,277	1,756,226	68,065,310	66,585,610
Derivatives financial liabilities — gross settlement						
Held-for-trading financial liabilities						
— Foreign currency forward contracts						
— inflow	1,699	—	—	—	1,699	1,699
— outflow	(1,693)	—	—	—	(1,693)	(1,693)
	6	—	—	—	6	6

42. FINANCIAL INSTRUMENTS (CONTINUED)

42.2 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

As at 31 December 2013

	Group					
	On demand or less than one year *RMB'000*	1-2 years *RMB'000*	3-5 years *RMB'000*	>5 years *RMB'000*	Total undiscounted Cash Flows *RMB'000*	Carrying Amount at 31/12/2013 *RMB'000*
Non-derivative financial liabilities						
Borrowings	8,018,982	558,839	2,062,411	1,883,255	12,523,487	11,214,803
Trade payables	32,115,482	—	—	—	32,115,482	32,115,482
Bills payable	13,675,679	—	—	—	13,675,679	13,675,679
Financial liabilities included in other payables and accruals	4,319,845	—	—	—	4,319,845	4,319,845
Due to customers	33,157	—	—	—	33,157	33,157
	58,163,145	558,839	2,062,411	1,883,255	62,667,650	61,358,966
Derivatives financial liabilities — gross settlement						
Held-for-trading financial liabilities						
— Foreign currency forward contracts						
— inflow	131,350	—	—	—	131,350	131,350
— outflow	(127,107)	—	—	—	(127,107)	(127,107)
	4,243	—	—	—	4,243	4,243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

42. FINANCIAL INSTRUMENTS (CONTINUED)

42.2 Financial risk management objectives and policies (continued)

Interest rate risk

Interest rate risk means the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 profit before tax (through the impact on floating rate borrowings) without considering the effect of capitalisation of borrowing costs.

	2014	2013
Reasonably possible change in interest rate	**100 basis points**	100 basis points

	2014 ***RMB'000***	2013 *RMB'000*
Increase (decrease) in profit before taxation for the year		
as a result of increase in interest rate	**(31,608)**	(32,988)
as a result of decrease in interest rate	**31,608**	32,988

The sensitivity analysis in interest rate does not affect other components of equity.

42. FINANCIAL INSTRUMENTS (CONTINUED)

42.2 Financial risk management objectives and policies (continued)

Other price risk

The Group is exposed to equity securities price risk because the fair value of certain available-for-sale financial assets are measured by reference to quoted prices. Details of the available-for-sale financial assets are set out in Note 21. The management closely monitors such risk by maintaining a portfolio of investments with different risks.

In the opinion of the directors, as the price risk exposures arising from possible changes in quoted prices will not have any significant financial impact on the Group, the sensitivity analysis is not disclosed.

Foreign currency risk

Foreign currency risk means the risk of fluctuations in the fair value or future cash flows of financial instruments which arise from changes in exchange rates. The Group's foreign risk mainly arise from sales or purchases by operating units in currencies other than the units' functional currency and from net investments in foreign operations.

The Group's businesses are mainly located in the PRC and are mainly transacted and settled in Renminbi. Certain sales, purchases and borrowings are settled in foreign currencies. The fluctuation of the exchange rates of foreign currencies against Renminbi will affect the Group's results of operations.

The Group endeavours to reduce foreign currency risk to a minimum mainly by closely monitoring market exchange rate changes and actively adopting measures.

For foreign business contracts under negotiation, the Group also requires price quotations to be based on the expected exchange rate changes. In negotiations, the Group also requires price quotations to be based on the expected exchange rate changes. When negotiating foreign business, the relevant terms should clearly state the scope of exchange rate fluctuations and the related risk to be borne by both the seller and buyer. For import activities, the relevant import entities are required to monitor the timing of settlement such that the appreciation of Renminbi can be utilised to reduce the cost of purchase.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Euro and US dollar exchange rates, with all other variables held constant, of the Group's profit before taxation (due to changes in the foreign currency denominated monetary assets and liabilities). In the opinion of the directors, as the currency exposures arising from possible changes in other currencies will not have any significant financial impact on the Group, the sensitivity analysis is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

42. FINANCIAL INSTRUMENTS (CONTINUED)

42.2 Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

	Group	
	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**
	%	***RMB'000***
Year ended 31 December 2014		
If Renminbi strengthens against Euro	**14.05**	**217,350**
If Renminbi weakens against Euro	**(14.05)**	**(217,350)**
If Renminbi strengthens against US dollar	**1.06**	**(3,988)**
If Renminbi weakens against US dollar	**(1.06)**	**3,988**

	Group	
	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax
	%	*RMB'000*
Year ended 31 December 2013		
If Renminbi strengthens against Euro	5.99	36,717
If Renminbi weakens against Euro	(5.99)	(36,717)
If Renminbi strengthens against US dollar	3.0	(12,119)
If Renminbi weakens against US dollar	(3.0)	12,119

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, bills payable and other payables and accruals, less cash and cash equivalents and pledged deposits. Capital includes equity attributable to owners of the parent.

42. FINANCIAL INSTRUMENTS (CONTINUED)

42.2 Financial risk management objectives and policies (continued)

Capital management (continued)

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its business. The principal strategies adopted by the Group include, without limitation, reviewing the future cash flow requirement and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios at 31 December 2014 and 2013 were as follows:

	Group As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Interest-bearing bank and other borrowings	**10,458,209**	11,214,803
Trade payables	**38,235,379**	32,115,482
Bills payable	**12,419,349**	13,675,679
Other payables and accruals	**5,028,394**	4,319,845
Less: Cash and bank balances and pledged bank deposits	**(18,312,008)**	(16,470,224)
Net debt	**47,829,323**	44,855,585
Total capital	**40,510,531**	37,130,521
Capital and net debt	**88,339,854**	81,986,106
Gearing ratio	**54%**	55%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

42. FINANCIAL INSTRUMENTS (CONTINUED)

42.3 Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Group

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	At 31 December 2014 *(RMB'000)*	At 31 December 2013 *(RMB'000)*		
Listed equity security classified as available-for-sale financial assets	**844,379**	669,928	Level 1	
Equity investments at fair value through profit or loss	**—**	6,746	Level 1	
Foreign currency forward contracts classified as derivate financial instruments	**6**	4,243	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Corporate wealth management products classified as prepayments, deposits and other receivables	**4,400,000**	700,000	Level 2	Discounted cash flow. Expected interest rates.

During the years ended 31 December 2014 and 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

42. FINANCIAL INSTRUMENTS (CONTINUED)

42.3 Fair value measurements of financial instruments (continued)

(ii) Fair value of financial assets that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values:

	31 December 2014		31 December 2013	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Borrowings — due after one year with fixed rate	**5,601,288**	**5,378,228**	3,568,511	3,329,690

42.4 Transfer of financial assets

At 31 December 2014, the Group endorsed certain bills receivable (the "Endorsed Bills") with a carrying amount of RMB71,600,000 to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement") and discounted certain bills receivable (the "Discounted Bills") with a carrying amount of RMB558,496,000 to banks. 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 discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and discounted Bills and the associated trade payables. Subsequent to the Endorsement and discounting, the Group does not retain any rights on the use of the Endorsed Bills and Discounted Bills, including sale, transfer or pledge of the bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills is RMB71,600,000 as at 31 December 2014.

As at 31 December 2014, bills discounted or endorsed to banks and suppliers of RMB7,414,303,000 derecognised by the Group (the "Derecognised Bills"). 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 acceptor 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 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.

As at 31 December 2014, long term receivables amounted to RMB230,475,000 had been factored to a bank on a non-recourse basis. These receivables were derecognised as the Group had transferred the significant risks and rewards relating to the receivables to the bank under the non-recourse factoring agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. EVENTS AFTER THE REPORTING PERIOD

43.1 Bombardier Qingdao

As at 1 January 2015, Sifang Co., obtained control of Bombardier Qingdao pursuant to the amendments to the Articles of association of Bombardier Qingdao which was previously a joint venture of the Group.

Assets and liabilities recognised at the date of acquisition are as follows:

	RMB'000 **(provisional)**
Net assets recognised:	
Property, plant and equipment	872,664
Other intangible assets	187,354
Deferred tax asset	234,274
Other non-current assets	17,938
Inventories	6,041,618
Trade receivables	1,049,414
Bills receivable	220,944
Prepayments, deposits and other receivables	1,504,424
Bank balances and cash	1,995,289
Trade payable	(1,055,508)
Bills payable	(290,168)
Other payables and accruals	(6,774,437)
Other non-current liabilities	(1,262,986)
	2,740,820

43.2 The Merger of the Company and CNR

The Company convened the seventh meeting of the third session of the board of directors from 29 December to 30 December 2014, in which the Company agreed to enter into the "Merger Agreement between CSR Corporation Limited and China CNR Corporation Limited" with China CNR Corporation Limited (hereafter "CNR") (hereafter "Merger Agreement"). Pursuant to the Merger Agreement, shares of the Company will be issued in exchange for all existing issued shares of CNR by merging with CNR by way of absorption. The Exchange Ratio is 1:1.10, meaning that each CNR A share shall be exchanged for 1.10 A shares to be issued by the Company and that each CNR H share shall be exchanged for 1.10 H shares to be issued by the Company. The details are set out in the Company's circular dated 20 January 2015.

Up to the date of approval for issuance of the consolidated financial statements, Merger Agreement has been approved by the shareholders' meeting of the Company and CNR respectively, and SASAC.

43.3 ZTE acquisition of deep-sea robot business

On 5 February 2015, the Company's subsidiary, ZTE entered into an agreement with shareholders of SPECIALIST MACHINE DEVELOPMENTS (SMD) LIMITED (hereinafter referred to as "SMD Limited") and its subsidiary, Specialist Machine Developments (Investment) Limited(hereinafter referred to as "SMD Investment"). According to the agreement, ZTE will acquire 100% equity interest of SMD Limited, as well as 100% equity interest of Bywell Holdings Limited via SMD Investment, at a cash consideration of GBP108,300,000 (equivalent to approximately RMB1,011,879,390).

Definitions

"Articles of Association"	the articles of association of the Company
"BST"	Bombardier Sifang (Qingdao) Transportation Ltd. (青島四方龐巴迪鐵路運輸設備有限公司)
"Company" or "CSR"	CSR Corporation Limited (中國南車股份有限公司), including its subsidiaries, unless the context otherwise requires
"Company Law"	the Company Law of the People's Republic of China
"CNR"	China CNR Corporation Limited (中國北車股份有限公司)
"CSR Chengdu"	CSR Chengdu Locomotive & Rolling Stock Co., Ltd.(南車成都機車車輛有限公司)
"CSR Electric"	CSR Zhuzhou Electric Co., Ltd. (南車株洲電機有限公司)
"CSR Erqi"	CSR Erqi Co., Ltd. (南車二七車輛有限公司)
"CSR Finance"	CSR Finance Co., Ltd. (南車財務有限公司)
"Guangzhou Electric Locomotive"	Guangzhou Electric Locomotive Co., Ltd. (廣州電力機車有限公司)
"CSR Guiyang"	CSR Guiyang Rolling Stock Co., Ltd. (南車貴陽車輛有限公司)
"CSR Hong Kong"	CSR (Hong Kong) Company Limited (中國南車(香港)有限公司)
"CSR International"	CSR International Equipment Engineering Co., Ltd. (南車國際裝備工程有限公司)
"CSR Leasing"	CSR Investment Leasing Co., Ltd. (南車投資租賃有限公司)
"SSE Listing Rules"	means the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange;
"CSR Luoyang"	CSR Luoyang Locomotive Co., Ltd. (南車洛陽機車有限公司)
"CSR Meishan"	CSR Meishan Co., Ltd. (南車眉山車輛有限公司)
"CSR Puzhen"	CSR Nanjing Puzhen Rolling Stock Co., Ltd. (南車南京浦鎮車輛有限公司)
"CSR Industrial Research Institute"	CSR Industrial Research Institute Co., Ltd. (南車工業研究院有限公司)
"CSR Qishuyan"	CSR Qishuyan Locomotive Co., Ltd. (南車戚墅堰機車有限公司)
"CSR Qishuyan Institute"	CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd. (南車戚墅堰機車車輛工藝研究所有限公司)

Definitions

"CSR Shijiazhuang"	CSR Shijiazhuang Rolling Stock Co., Ltd. (南車石家莊車輛有限公司)
"CSR Sifang"	CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd. (南車青島四方機車車輛股份有限公司)
"CSR Sifang Ltd."	CSR Sifang Rolling Stock Co., Ltd. (南車四方車輛有限公司)
"CSR Yangtze"	CSR Yangtze Rolling Stock Co., Ltd. (南車長江車輛有限公司)
"CSR ZELRI"	CSR Zhuzhou Electric Locomotive Research Institute Co.,Ltd. (南車株洲電力機車研究所有限公司)
"CSR Zhuzhou"	CSR Zhuzhou Electric Locomotive Co., Ltd. (南車株洲電力機車有限公司)
"CSR Ziyang"	CSR Ziyang Locomotive Co., Ltd. (南車資陽機車有限公司)
"CSRC"	the China Securities Regulatory Commission
"CSRG"	CSR Group (中國南車集團公司)
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"projects funded by proceeds"	investment projects funded by raised proceeds of the Company
"SASAC"	State-owned Asset Supervision and Administration Commission of the State Council
"Securities Law"	the Securities Law of the People's Republic of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SSE"	Shanghai Stock Exchange
"South Huiton"	South Huiton Co., Ltd. (南方匯通股份有限公司)
"Times Electric"	Zhuzhou CSR Times Electric Co., Ltd. (株洲南車時代電氣股份有限公司)
"Times New Material"	Zhuzhou Times New Material Technology Co., Ltd. (株洲時代新材料科技股份有限公司)

Basic Information of the Company

CHINESE NAME	中國南車股份有限公司
ENGLISH NAME	CSR Corporation Limited
DATE OF BUSINESS REGISTRATION	28 December 2007
REGISTERED OFFICE	No. 16 Central West Fourth Ring Road, Haidian District, Beijing 100036, the PRC
BUSINESS ADDRESS OF THE HEAD OFFICE	No. 16 Central West Fourth Ring Road, Haidian District, Beijing 100036, the PRC
PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Unit H, 41/F., Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong
LEGAL REPRESENTATIVE	Zheng Changhong
EXECUTIVE DIRECTORS	Zheng Changhong, Liu Hualong Fu Jianguo
NON-EXECUTIVE DIRECTOR	Liu Zhiyong
INDEPENDENT NON-EXECUTIVE DIRECTORS	Li Guo'an, Wu Zhuo Chan Ka Keung, Peter
AUTHORIZED REPRESENTATIVES	Fu Jianguo, Wong Kai Yan
JOINT COMPANY SECRETARIES	Shao Renqiang, Wong Kai Yan
SECRETARY TO THE BOARD	Shao Renqiang
SECURITIES REPRESENTATIVE	Ding Youjun
TELEPHONE FOR INFORMATION INQUIRY	(8610) 5186 2188
FAX	(8610) 6398 4785
WEBSITE	www.csrgc.com.cn
E-MAIL ADDRESS	csr@csrgc.com
H SHARE REGISTRAR	Computerhsare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Basic Information of the Company

PLACES OF LISTING	The Stock Exchange of Hong Kong Limited Shanghai Stock Exchange
STOCK NAME	CSR
STOCK CODE	1766 (Hong Kong) 601766 (Shanghai)
PRINCIPAL BANKERS	China Minsheng Banking Corp., Ltd. China CITIC Bank Corporation Limited Industrial and Commercial Bank of China Limited Bank of Communications Co., Ltd.
PRC INDEPENDENT AUDITORS	Deloitte Touche Tohmatsu Certified Public Accountants LLP Certified Public Accountants 30th Floor, Bund Center 222 Yan An Road East Shanghai the PRC
INTERNATIONAL INDEPENDENT AUDITORS	Deloitte Touche Tohmatsu Certified Public Accountants 35th Floor, One Pacific Place 88 Queensway, Admiralty Hong Kong
LEGAL ADVISERS	As to Hong Kong laws: Baker & McKenzie 14th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong As to PRC laws: Jia Yuan Law Firm F408 Ocean Plaza, 158 Fuxing Men Nei Avenue, Beijing, the PRC

中国南车

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