CSR 中国南车

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

Green Locomotive Global Network



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 31st meeting of the second session of the Board of the Company. All Directors of the Company attended the Board meeting.
3. Ernst & Young Hua Ming LLP has issued standard unqualified audit report for the Company's financial statements prepared under the PRC GAAP in accordance with PRC Auditing Standards. Ernst & Young, Certified Public Accountants, Hong Kong, 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

Preface

A Green Horizon with High-tech and New Locomotives

A Green Force that Brings New Hope to the World

CSR Profile

Newly signed orders and outstanding orders in hand ***"Both exceeded RMB100 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 passenger carriages, as well as the ability for systematic and comprehensive research, development and manufacturing. In the meantime, CSR 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 business, financial leasing, finance business, 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 20 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. It set up 23 subsidiaries and branches and 17 Sino-foreign joint ventures around the globe as well as offices across different countries, with nearly 90,000 employees and RMB121.1 billion of total assets.

FORGE AHEAD

In recent years, by leveraging the historic opportunity arising from the development of rail transit, CSR put great efforts in business expansion and enhancement, and maintained a sound development. In particular, CSR effectively coped with the imbalance in production and operation to achieve sustainable and stable development in 2013 when the market condition and demand saw obvious fluctuation as a result of the reform of railway system and mechanism in China.

The Company proactively studied and worked out solution based on its general estimation on the system and mechanism reform of railway industry and the development and changes of relevant sectors, to make quick response to the market. Continuous efforts were put to deepen the rolling stock market with special attention to the national railway market, so as to secure its leading position in the market. In the meantime, its international market, emerging industries market and rapid transit market were expanded in a thorough way, thanks to which, the Company's market position was enhanced and solidified. In 2013, both the newly signed orders and outstanding orders in hand exceeded RMB100 billion.

In order to occupy the dominated position in technology and market, CSR promoted the establishment of technology platforms for design, products and manufacturing and integrated internal and external resources for research and development through in-depth implementation of innovative drive development strategy. It made various achievements on high-end whole machine and core parts in the industry while its green and innovative transportation equipment such as trial rail trains of higher speed, intelligent high-speed MUs, inter-city transit vehicles, trams, energy-storing trams, maglev trains and new energy vehicles was leading the development of the industry.

STRIVE TO BE PERFECT

Pursuit of excellence has always been the essence of CSR's culture, and striving to be perfect is not only the self-discipline of CSR employees but also the motivation for its development. Management enhancement was carried forward in an in-depth manner. Corporate governance structure was improved continuously based on the basic framework of "three meetings and one management", so as to ensure the clearly delineated and standard operation of general meetings, the Board, the Supervisory Committee and the management. The Company regarded the lean management as its principle to systematically enhance and fine-tune the internal management, which together with the in-depth implementation of lean management, has become its management feature.

Continuous focus was laid on improvement of product quality, thanks to which, the quality and performance of our high-end products such as MUs and high-power locomotives have always been leading the industry. The per million km failure rate of high-speed MUs was significantly lower than the average level in the industry, demonstrating the world-leading standard of our product reliability.

Adhering to the social responsibility philosophy of "Responsibility, Hand in Hand with Speed", CSR established and improved its social responsibility management system step by step to actively perform the corporate social responsibility and implement social responsibility management at all levels. The philosophy of social responsibility was integrated into the development strategy and operational management of the Company.

As brand recognition and influence of CSR grew continuously, the sound development of the Company was facilitated. With its brand valued RMB29,536 million, CSR was ranked first in the machinery industry among the 500 Most Valuable Brand Names in China in 2013 issued by the World Brand Lab, with its brand influence assessed as "world-class".

EMBRACE THE FUTURE

In the context of global reform in industry and technology and based on the requirement for aiming at building a world-class enterprise, the Company will optimise the development strategy to focus on the formation of an industry pattern with more competitive strengths and development vitality, through which, the position of the rolling stock sector as the principal business of the Company, will be further highlighted in the corporate development while the development route is finalised as a combination of multi-industry development, international operation and integration of industry and financing, providing full supports to the transform and upgrade of corporate development.

External strategic cooperation is carried out extensively. The modification and optimisation of industrial division within the Group is accelerated with increase in overseas investment and acquisition as well as intensified development of the marketing network. With the purpose of expanding space for development, resources are concentrated on cultivation and development of new pillar industries while new business model is actively established and capital operation is promoted steadily.

The Company will spare no effort to build up a future-oriented team of core personnel and vigorously implement the "Ten-thousand core staff" project (namely cultivating approximately ten thousand of core personnel in the field of technology, management and skills), so as to support the corporate development with strong intellect.

Facing the new opportunities and challenges arising from the global transportation and the development of industry, the Company will stick to innovation promotion, high-end manufacturing and green development to provide its customers with greener integrated solutions covering high-end technical equipment and supporting services, thus bring more rewarding and sustainable return to shareholders.

Results Highlights

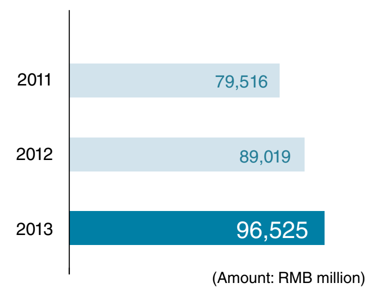
The following table sets out the major financial indicators:

Currency: RMB

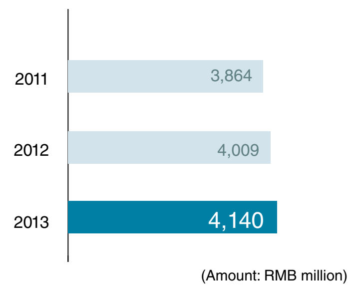
Item	2013	2012	Increase/ Decrease %
Revenue *(RMB million)*	**96,525**	89,019	8.43
Profit for the year *(RMB million)*	**5,074**	4,852	4.58
Profit attributable to owners of the parent for the year *(RMB million)*	**4,140**	4,009	3.26
Basic earnings per share *(cent/share)*	**30.0**	29.9	0.33

Item	2013	2012	Increase/ Decrease %
Total assets *(RMB million)*	**121,129**	105,217	15.12
Total liabilities *(RMB million)*	**74,975**	65,707	14.10
Total equity *(RMB million)*	**46,155**	39,510	16.82
Including: equity attributable to owners of the parent *(RMB million)*	**36,560**	32,755	11.61
Shareholders' interests per share *(RMB/share)*	**2.65**	2.37	11.61

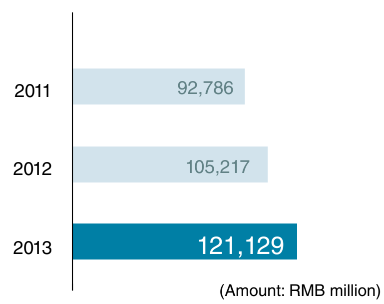
Revenue



Profit attributable to owners of the parent for the year



Total assets



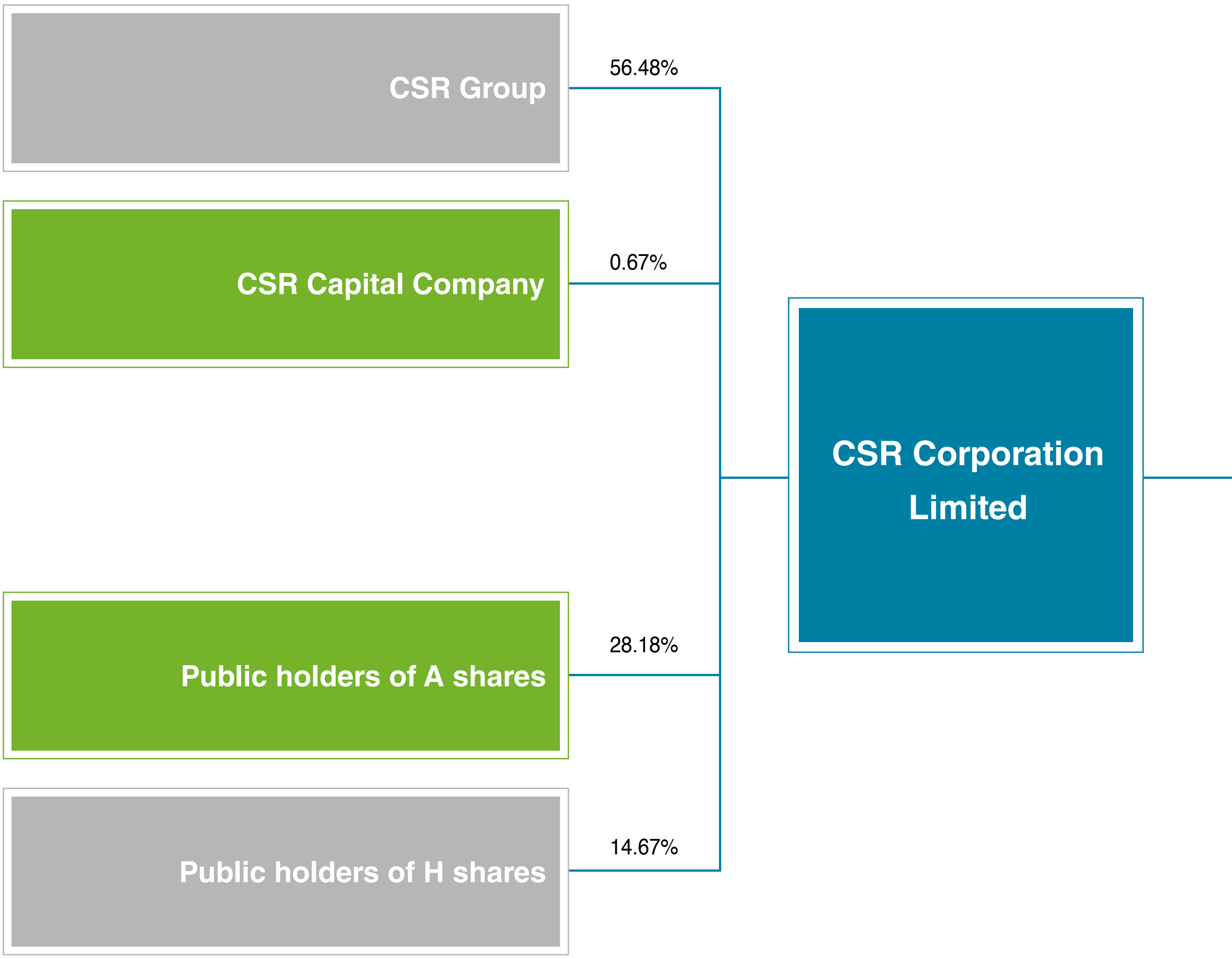
Basic earnings per share

Financial Summary

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**96,525,052**	89,019,449	79,516,958	64,132,399	45,620,751
Cost of sales	**79,896,059**	73,264,022	64,646,619	53,145,221	38,453,741
Gross profit	**16,628,993**	15,755,427	14,870,339	10,987,178	7,167,010
Other income and gains	**1,481,884**	1,069,723	818,601	620,536	695,961
Selling and distribution expenses	**3,085,197**	3,152,751	2,734,686	1,989,254	1,132,661
Administrative expenses	**8,561,806**	7,687,561	7,017,068	5,799,821	4,263,779
Other expenses, net	**347,845**	168,766	169,354	452,279	144,179
Finance costs	**546,350**	764,356	993,739	318,368	264,758
Share of profits and losses of associates and jointly-controlled entities	**363,792**	540,954	668,034	611,794	343,743
PROFIT BEFORE TAX	**5,933,471**	5,592,670	5,442,127	3,659,786	2,401,337
Tax	**859,318**	740,455	698,887	415,901	285,155
PROFIT FOR THE YEAR	**5,074,153**	4,852,215	4,743,240	3,243,885	2,116,182
Attributable to:					
Owners of the parent	**4,139,972**	4,009,458	3,864,153	2,526,302	1,678,153
Non-controlling interests	**934,181**	842,757	879,087	717,583	438,029
	5,074,153	4,852,215	4,743,240	3,243,885	2,116,182
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**121,129,412**	105,217,301	92,786,391	73,760,542	55,389,853
TOTAL LIABILITIES	**74,974,781**	65,707,440	64,698,474	49,891,958	35,034,753
TOTAL NON-CONTROLLING INTERESTS	**9,594,728**	6,754,434	5,526,287	4,600,912	2,996,310

Corporate Structure Chart

As at 31 December 2013, the shareholding structure of the Company and its principal subsidiaries and jointly-controlled entities are as follows:



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.
- **Non-wholly-owned subsidiaries**
  - 99.61% CSR Ziyang Locomotive Co., Ltd.
  - 97.81% CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.
  - 91% CSR Finance Co., Ltd.
  - 57% Shijiazhuang King Transportation Equipment Co., Ltd.
  - 51.81% Zhuzhou CSR Times Electric Co., Ltd.
  - 27.38% 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,

2013 is an extraordinary year of operation and development in the history of CSR. As world economic recovery is lacking in momentum and the pressure from the downward trend in Chinese economy is increasing with multiple contradictions and conflicts, CSR has experienced major fluctuations and dramatic waves, i.e. slacking at the beginning and stringent towards the end. The Board closely watches the economic situation at home and aboard in a composed manner and kept up the momentum of stable development leveraging the rational strategic layout, well-developed technology and the complete industrial structure.

In 2013, the revenue of CSR grew by 8% over last year, and the net profit attributable to the owners of parent company increased by 3%. Despite of the fact that the difficulties faced by operation were more than expected, the outcome is better than expected. Against the flagging atmosphere in the rolling stock manufacturing industry globally, the hard-earned result is a good testimony that our management and operational team have stood the stringent test of the market.

In the past year, we have established the CSR Central Research Institute. By integrating technological and management resources, we unite all the forces for corporate innovation in a bid to provide intelligence support for our leading the development of the industry. The technological innovation project for the construction of the three technological platforms in design, manufacture and product was awarded the Second Prize of Chinese Science and Technology Progress Award 2013. CSR hosted or took part in the drafting and compilation of 50 IEC, ISO and UIC international standards with two IEC standards officially published within the year. CSR also became the fourth enterprise with the core technology of communication-based train control (CBTC) in the world.

We continuously introduce new products, which consolidates our development. Hong Kong high-speed railway, CRH6 MUs, Shenhua new type eight-axis and twelve-axis high-powered electric locomotives were put to operation successively, and the high-end products such as MUs and high-powered locomotives have covered all speed levels. A series of products and technologies such as modern trams with super-capacitor storage devices, middle-to-low-speed maglev trains, aluminum alloy hopper wagons for coal with 30-tonne axle load and the largest super-capacitor storage (7500F), etc. came out, indicating the direction of the development in rail transportation and adding momentum to our future development. BT projects are making extremely smooth progress. CRH380A, as a fist product in the Premiere's promotion of China's high-speed railway, has become a spectacular card in China's high-speed railway diplomacy and also a major model of the high-speed railways of China in overseas display.

We have established CSR international in a bid to accelerate the layout of international businesses. We have established subsidiaries in Australia, South Africa, Malaysia and Brazil, and production bases in Malaysia and Turkey, etc., with products in over 80 countries and regions. In 2013, the orders from overseas market have reached a record high of US$2.23 billion. Recently, we have obtained orders of over US$2 billion in one go in South Africa. In the future, we will speed up our international operational capability, refine our global procurement model, and establish a global manufacturing and supply chain system with the intention to lay down a global research and development system. Our international acquisition has made a solid progress. We have acquired E+M Drilling Technologies GmbH in Germany and our business in engineering machinery has been expanding. We have entered into the major purchase agreement and plan to acquire the global rubber and plastics business under ZF Friedrichshafen AG in Germany. With the rail transportation industry as our key focus, we will gradually enter the high-end manufacturing fields such as the auto industry.

As railway is the most important business of the Company, we have been paying close attention to the progress of the reform of China's railway system. In 2013, I led a team visiting 18 railway bureaus in China in order to be in line with and get close to national railway market, as well as to understand the need of the customers, raising solutions for application issues and our vision of cooperation between products and capital. We also tried to explore the possibilities of building reciprocal strategic partnership in a proactive manner and have arrived at cooperative intention. As the reform of corporation system progresses in the railway, CSR will confidently summon all its efforts to sustain its competitive edge in the railway market in China.

2014 is the first year that China carries out the comprehensive in-depth reform, the first year for a new round of reform in state-owned enterprises, and also an important year for breakthroughs in the transformation and upgrade of CSR. As transformation strikes up new energy and momentum, I believe that Chinese economy will still outperform other regions in the world. As such, after conscientious review of the development trend of the rail transportation industry in the world, the Board amended the development strategies of the Company after taking into consideration many factors for realising the Chinese dream. The goals for the development of CSR will be more practical with more defined development track. CSR will continue to facilitate the transformation, upgrading and optimisation of the business structure to obtain an advantageous standing point for development. Our refined manufacturing and management is reaching to the very depth. The Company also proposed the idea of refined design and is promoting it in the enterprise with full fledges.

Steady steps go far. In the future, CSR will continue to adhere to the strategy of management and technological innovation, instil efficiency and profit in all aspects of the enterprise and progress one by one step in a bid to become a model in China's rolling stock manufacturing industry to give better returns to the shareholders.

Zheng Changhong
March 2014

New CSR

New Creation


CSR

Report of Directors

Revenue RMB **96.525** billion

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

In 2013, the Company proactively coped with the railway reform and changes in the market while steadily implementing the development of "efficiency and effectiveness of CSR". Work carried out had moved to a new level and maintained stable progress. Revenue for the year amounted to RMB96,525 million, representing an increase of 8.43% over last year while net profit attributable to owners of parent company increased by 3.26% to RMB4,140 million as compared to the last year. In addition, BST, a joint venture of the Company, recorded revenue of RMB4,320 million and a net profit of RMB680 million.

Continuous efforts in in-depth market expansion. The effect of railway reform was preliminarily showed in 2013, leading to increased intension in competition both at home and abroad. As the response to such situation, the Company actively adjusted operation strategy and furthered market expansion, redirecting its marketing model from "product marketing" to "strategic marketing". New orders obtained in the year amounted to RMB135 billion, posting a year-on-year growth of 65%. The amount of newly signed contracts in relation to urban railway vehicles continued to take the lead in the industry. Achievements were made in respect of core parts, enabling our hauling system to domain the domestic market. New energy vehicles recorded an annual sales volume of more than 1,000 units for the first time while elastic components had entered into all the European countries with high-speed rails. New progress was seen in overseas export with high-end whole machines as the main export products. Orders with single amount over US$100 million were obtained by the Company, including Argentina electric MUs project, Malaysia additional electric MUs purchase project, Malaysia Ampang light rail project, Iraq internal combustion MU train project and Ethiopia electric locomotive project. As at the end of 2013, the Company's outstanding orders in hand amounted to RMB111 billion, representing a year-on-year growth of 42%.

Effective implementation of management improvement. Based on the theme of "model reform, structure adjustment, management enhancement and efficiency intensification" and the principal of lean management, the Company promoted the management enhancement through thorough planning, and had harvested prominent achievement. Review and rectification of problems identified in the management were carried out in a comprehensive way. Key issues were rectified in the form of project while renovation projects were generally put in place. The Company deepened the construction of demonstrative zone (line) and the demonstrative projects of workshops (branches) for lean management, facilitated the construction of simulated production lines and simulated distribution lines, as well as further improved the lean manufacturing model based on the streamlined and efficient workshop production line. In light of the mentality of "launching trial project first and then implementing overall promotion", the Company had made breakthrough in the "6621" (i.e. the six management lines covering design, processing, procurement, production planning, quality and cost control, the six management platforms comprising market, human resource, safety environment, assets, information, after-sale management, the two simulated lines namely simulated production line and simulated distribution line as well as a streamlined and efficient workshop production line) trial operation platform, which further solidified our working standard and model, and preliminarily established a lean management system with CSR features. Cost reduction and efficiency enhancement were carried out systematically, contributing to an effective control over purchase cost, period expenses and labour cost. Achievements were made in terms of long-term mechanism while management enhancement was included in CSR's development strategy, which safeguarded the continuous and sound development of the Company.

Continuous optimisation of innovative platform. CSR integrated technologies and management resources by setting up central research institute to boost the innovative development. The three major technology platforms were developed and fine-tuned on a continuous basis while technology innovative system was further developed and improved. The Company had jointly established the Guangzhou CSR Rail Transportation Institute and launched the first super-capacitor institute in China. In a bid to facilitate basic technology related research, it actively carried forward the planning of overseas research and development system and built up joint laboratories respectively with New Jersey Institute of Technology and University of Texas in the United States. Research and development of new products were reinforced to meet and guide the market demand. The integration of internal and external resources and establishment of collaborative innovation mechanism of production and research shortened the production cycle from primary research to industrialisation.

New orders obtained in the year amounted to RMB **135** *billion*

Participation to formulate national and international technical standards. In 2013, the Company was in charge of or participated in the drafting and formulation of 50 international standards of IEC, ISO and UIC, among which, two IEC standards were officially published within the year. In 2013, the Company was in charge of or participated in the formulation and revision of 98 national standards and 153 industrial standards. In 2013, the Company applied for 2,527 patents, among which, 1,748 patents had obtained authorisation while five patents were granted Merit Award at the 15th China Patent Award. The "Technology Innovation Project — Development of CSR's Three Major Technology Platforms (中國南車三大技術平台建設技術創新工程)" was honored Second Prize at the 2013 National Scientific and Technology Progress Award while a total of 17 projects were granted Science and Technology Award by the China Railway Society, among which, the "Development of CRH380A New High-Speed Train (CRH380A新一代高速列車研製)" and "Application of Key Technologies of the 6-axle High-power AC Transmission Electric Locomotives Platform (大功率交流傳動六軸電力機車平台關鍵技術應用)" were honored Grand Prize in Science and Technology by the China Railway Society.

Accelerating industrial restructuring. The Company speeded up the adjustment of industrial division and the technology transfer within the Group. The technology of high-power electric locomotive was transferred to CSR Qishuyan while technology relating to CRH6 inter-city MU was transferred to CSR Zhuzhou. CSR Ziyang had obtained the qualification to participate in bidding for electric locomotive production individually. The construction of the base for six-year inspection of electric locomotives was carried out by CSR Luoyang orderly. Significant progress was found in the general contracting business, which could be reflected from the engagement of general contracting projects in respect of the low floor trams in Qilin and Hexi districts of Nanjing, Yinzhou of Ningbo and Changzhou and the BOT franchise project of phase I of No. 2 rail line in Foshan. In the meantime, CSR International was established to facilitate the promotion of international operation. A number of overseas companies and offices were set up by the Company while the industrial investment in Malaysia, Turkey, Sierra Leone and Australia was advanced steadily. The acquisition of E+M Drilling Technologies GmbH was carried out. Its overseas export contracts amounted to US$2.23 billion covering over 80 countries and regions. Based on its operating experience acquired from its capital operation, the Company positioned its capital operation as a platform for remnant assets vitalization, strategic investment, capital financing and new industries' cultivation as well as an important source of revenue, the development of which, as one of the pillar sectors of the Company, was accelerated. Strategic cooperation with external parties was intensified. CSR had entered into strategic cooperation agreements with certain major enterprises, financial institutions, scientific research institutions, local governments and key customers, playing a positive role in expanding development space, promoting technology level, strengthening market competitiveness and supporting industrial development. Investment control was intensified while the scale, frequency and direction of investment were adjusted on a timely basis, pursuant to which, investments in some areas were promoted while those in other areas were restricted. Given this endeavour, CSR was able to effectively guard against and control the investment risk, and thus pushed forward its sustainable and sound development.

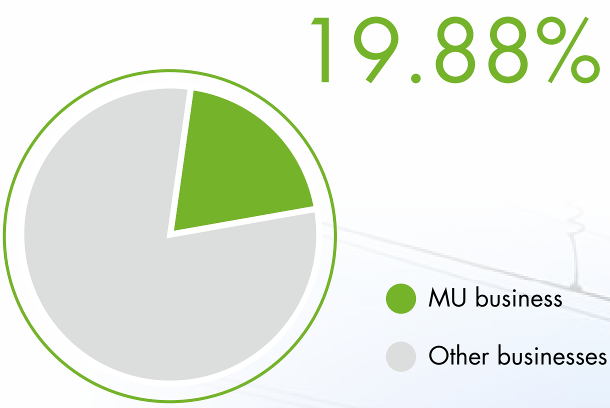
(I) Business overview

In 2013, the reform in domestic railway industry was deepened while the market condition remained fluctuant. In this context, CSR based on its rational strategic layout, leveraged the abundant technology experience and the advantage of comprehensive product portfolio to forge ahead with determination and take proactive actions. It reinforced its market position in the fields where it has traditional advantages such as locomotives, passenger carriages, MU trains and urban railway vehicles through proactive propulsion of market expansion, technology innovation, internationalised operation, new industry exploration, management enhancement, business model innovation and other means. Financial services, general contracting and other new businesses were expanded in an effective way while new progress was achieved in capital operation. With the steady growth of operating results and the orderly expansion in industry domains, CSR was growing into a high-end equipment manufacturing service provider with rolling stock manufacturing as foundation, expension into different industrial fields and combination of different business models.

MU Business Shortening the Distance Between Cities

55.4% *of the total operating railway mileage of MUs*

Share of revenue in 2013



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 2013, the tendering for high-speed MUs was organised by China Railway Corporation for the first time in two years. Given its tremendous strength in independent research and development of key technologies for high-speed MUs, CSR obtained orders for 269 trains of MUs from the two tenders throughout the year with an aggregate contract amount of RMB40.6 billion. Both the number of orders and the amount involved had exceeded half of the total number and the amount respectively. Revenue from MU business decreased by 10.85% to RMB19,189 million as compared with last year as the products were delivered by batches.

Prominent market shares: Leveraging powerful technology forces and reliable product quality, CSR had maintained its leading position in the MU market, taking 55.4% of the total operating railway mileage of 560,000,000 kilometers in the year. The Nanjing-Hangzhou and Hangzhou-Ningbo high-speed railway lines were opened to traffic on 1 July 2013, for which a total of 44 MU trains from CSR were put into operation, representing 72% of the total number of high-speed trains. On 28 December 2013, the Xian-Baoji high-speed railway, Xiamen-Shenzhen railway, Hengyang-Liuzhou, Nanning-Beihai and Qinzhou-Fangchenggang railways as well as Chongqing-Lichuan railway were opened to traffic with 57 MU trains put into operation, among which, 53 MU trains or 93% were manufactured by CSR. Having undertaken such a daunting task, the Company's high-speed MUs maintained an exellent record in terms of quality. Its per million km failure rate was merely half of the average level among all railways. By virtue of world-leading design concept as well as safe and reliable quality, MU trains produced by CSR were well accepted by customers. In addition to the success achieved in the high-speed MU market, in respect of the emerging inter-city MU market, CSR also obtained the Pearl Delta inter-city project in Guangdong and the S1 line project in Wenzhou, becoming the first inter-city MU supplier in China.

As of 31 December 2013, there were more than 1,000 high-speed MU trains put into operation in China, creating new opportunities for MU maintenance service business. In 2013, the MU maintenance orders obtained by CSR involved 328 MU trains (i.e. 438 units), demonstrating absolute predominance in terms of market share. As the advanced maintenance cycle of a large number of high-speed MUs is approaching, the MU maintenance service business will record year-by-year growth, becoming a new growth point of CSR's MU business.

Improved platform for inter-city MU trains: As a link connecting the high-speed railway and the urban transit system, the inter-city rail will play critical role in the fusion of "Three Networks" to form China's rail traffic framework for promoting the progress of regional economic integration, which will also lead to increasing market demand for inter-city MU trains. In the field of inter-city MU trains, CSR has profound accumulation in technology and its CRH6 inter-city MU trains had completed trial operation with passenger load on the Chengdu-Dujiangyan railway. By the end of 2013, CSR had developed inter-city MUs with designed speed of 160km/h and 200km/h (including CRH6A and CRH6F) based on the Cinova platform. The development of inter-city MUs with designed speed of 140km/h (including 120km/h) was in process, Upon whose completion, CSR will have a series of inter-city MU products covering designed speed of 140km/h, 160km/h and 200km/h with different marshaling types (i.e. 3, 4, 6 and 8 trains) and various plane collocations, which will better cater to the diversified and customised demand from inter-city railways and urban railways in different regions.

Breakthrough in forward-looking research and development: Based on independent innovation, CSR formed a high-speed train technology system integrating basic theories, design and manufacture, testing evaluation as well as application and maintenance while a comprehensive industrial chain for high-speed train was established. In 2013, the "Research of Key Technology for Intelligent High-Speed Train System and the Development of Prototype Train", a national science-technology support plan project undertaken by CSR, had made significant progress and the first prototype car of intelligent high-speed train was completed in China. Supported by the intelligence information processing, the intelligent high-speed train was developed based on the technology platform of CRH380A high-speed MU, the holographic state sensing system and the dynamic digital operational environment. This high-speed MU, for the first time, not only achieved the engineering application of the emerging technologies, i.e.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internet of things and sensor network, for large transportation equipment, but also accomplished the integration of multi-network, including internet of things, sensor network, train control network and vehicle-mounted transmission network. Thus, the intelligent high-speed train has the ability to conduct self-test, self-diagnosis and self-decision, which can improve the security and efficiency when the train is working in a complicated and changeable environment. In the meantime, through the application of intelligent train system, passengers can access to various modern information services such as service information, Wi-Fi and E-ticketing, thus meeting the needs of passengers for the information exchange with the train, the outside world and the passenger service platform in their journey. In addition, the "experimental train of higher speed" designed and manufactured by CSR attained the laboratory speed of 605km per hour, marking another great progress in the forward-looking technology research and development for high-speed MUs.

During the visit in Thailand and Central and East Europe in 2013, Prime Minister Li Keqiang actively introduced the Chinese high-speed rail technology, saying that the Chinese high-speed rail is of "advanced technology, safety and reliability, as well as cost advantages". At present, CSR is actively negotiating with relevant countries in relation to the cooperation in high-speed train projects while the first train of Hong Kong high-speed railway project, the first high-speed train export project undertaken by CSR through international tendering in China, was completed. Under the favourable situation brought about by the "high-speed railway diplomacy" promoted by the PRC government, CSR will achieve more breakthroughs in high-speed MU export.

Knowledge Link:

Product types: The mainstream MUs include two types: main line (high speed) MUs and inter-city (municipal) MUs. In particular, main line MUs are suitable for the long-distance transportation along the main line of the railway, which is categorised in MUs whose speed is 200-250 km per hour and high-speed MUs whose speed is 300-350 km per hour. Inter-city MUs, with the features of large passenger loads, quick start and stop and convenient access, are often used in the commuting and business travelling between cities of medium to short distances and between the urban areas and suburban areas. Inter-city MUs include three types: MUs at the speed of 200 km per hour, 160 km per hour and 140 km per hour (including those of 120 km per hour).

Repair and maintenance business: the repair and maintenance business for MUs includes five categories: level I and II are daily maintenance, level III to V are overhaul. Taking the CRH380A MUs for example, in its full life circle of 20 years, approximately 15 overhauls are needed, namely, 8 times of level III, 4 times of level IV and 3 times of level V.


MUs with speed of 200-250 km per hour
CRH2


MUs with speed of 140-200 km per hour
CRH6


MUs with speed of 300-350 km per hour
CRH380A

Locomotive Business

The Traction Power to Chinese Economy

Revenue increased by **37.85%** *year on year*

The major part of the locomotive business of CSR includes the manufacturing and repair enterprises such as CSR Zhuzhou, CSR Ziyang, CSR Qishuyan, CSR Luoyang and CSR Chengdu, and those specializing in the manufacturing of main components, including CSR ZELRI, CSR Qishuyan Institute and CSR Electric. By virtue of the leading technology in the world, years of research and development experiences, and forward-looking design concepts, CSR has been adaptive to the users' customization and diversified requirements, and continuously lead the trend of development in the modern locomotive technology. In 2013, revenue derived from CSR's locomotive business reached RMB19.846 billion, representing an increase of 37.85% as compared with the previous year.

Product Research and Development Makes New Achievements: In 2013, CSR's locomotive segment was pushing ahead with progress in the railway heavy loading capacity, high-speed and AC transmission technology and took the lead in developing China's rolling stock traction power. Supported by its core technologies, the Company went on smoothly with its participation in the new China made AC transmission locomotive research and development. The products of high-powered locomotive series in modular design varying in axle arrangement (including 6-axle, 8-axle and 12-axle) and traction powers were launched into the market to meet diversified market demands. In particular, the new 8-axle 9,600 KW high-powered AC transmission electric locomotive was put to mass production and operation, which were highly recognised by the users. The 6-axle 7,200 KW electric locomotive with designed speed of 160 km/h recorded good results in all technological index after being put into operation. Together with Shenhua Group, the Company produced the new 8-axle and 12-axle high-powered electric locomotive, which obtained new market opportunities. The HXN5 diesel locomotive with twin driver chamber has begun mass production and sales. AC diesel shunting locomotive with 4,400 H. P. passed the trial run of the whole vehicle and is undergoing operation examination. The plateau electric locomotive has completed the adaptive operation examination in the plateau area. The electric locomotive with the axle load of 30 tonnes completed trail production.

Sustain the Advantages in Market: Every day, over 3,100 HX model high-power AC transmission locomotives are running along each of the main lines of Chinese railway with heavy duties, which strongly boosted the development of national economy. Thanks to the profound technological experiences and good reputation in the industry, CSR continued to maintain a leading position in the locomotive industry. In 2013, CSR entered into orders and delivered high-powered AC locomotives of 459 units, over half of the total number in the market. In addition, CSR obtained all the orders from non-railway high-powered AC locomotives In China in 2013 and continuously sustained 100% of the

market share. The locomotives to be exported to South Africa were produced and delivered, signifying that the locomotives designed and produced by China have landed Africa for the first time, laying a solid foundation for future orders.

By virtue of comprehensive resolutions and extensive, full-fledged application experience and all-rounded repair and maintenance and after-sales services, CSR has built up an optimal repair and maintenance system. In 2013, in the locomotive maintenance sector in which enterprises and locomotive maintenance stations under railway bureaus also participated in the competition, CSR still obtained repair orders for 1,195 units of locomotives, representing almost half of the total orders in the market.

Knowledge Link:

Development history of the industry: In 1952, the first steam locomotive in China was designed and manufactured by Sifang Rolling Stock Plant (四方機車車輛廠), marking the beginning of independent manufacturing of locomotive industry in China. With development and progress in railway technology, the domestic locomotive fabrication experienced the evolution from steam locomotive to internal combustion locomotive and to electric locomotive. In recent years, with its continuous progress in the design and fabrication of locomotive manufacturing industry, China has set up a locomotive designing and manufacturing platform with the highest standards in the world.

Introduction to maintenance business: Locomotive maintenance falls within the services business, comprising the maintenance and repair of locomotives. Currently, the "preventive maintenance plan", a generally adopted measure in China for locomotive maintenance, refers to conducting inspection and repair in accordance with required repair procedures when a locomotive reaches specified running kilometer or useful life. The locomotive maintenance can be classified into three categories by the maintenance workload, i.e. overhaul (inspection for every 6 years), medium maintenance (inspection for every 2 years), and aided repair (including quarterly, semi-annual and annual inspection), among which, overhauls and certain medium maintenance shall be conducted by locomotive manufacturers while aided repairs, due to its smaller workload, falls within the maintaining scope and shall be undertaken by railway operation companies.

Rapid Transit Business

Committed to Green Public Transport

Revenue from rapid transit business amounted to RMB **8.251** *billion*

The principal part of CSR's rapid transit business is the industry cluster comprising three enterprises qualified for manufacturing of the urban rail transit vehicle: CSR Zhuzhou, CSR Sifang and CSR Puzhen, as well as the core and key component manufacturers: CSR ZELRI, and CSR Qishuyan Institute with independent research and development, auxiliary system and large scale operation. In 2013, the revenue from rapid transit business amounted to RMB8.251 billion, representing an increase of 3.82% as compared with the previous year.

Market Development with Fruitful Results: In 2013, tender invitations and discussions in the urban railway vehicle market involved 34 projects in 20 cities in China including Beijing, Shanghai, Shenzhen, Nanjing, Hefei, Suzhou, Guangzhou, Ningbo, Changsha, Nanning, Chengdu, Foshan, Shenyang, Changchun, Wuhan, Chongqing, Dalian, Xi'an, Zhuhai and Fuzhou, 20 projects of which were obtained by CSR. As of 31 December 2013, CSR had entered into 21 out of 28 cities that invited tender nationwide with exclusive contracts offered by 12 cities. Amidst the competition from other manufacturers such as Siemens, Bombardier and Alstom, CSR won 13 out of 27 projects that invited and discussed tender in the urban railway vehicle traction system market, dominating the domestic market. In a bid to enhance its market advantages and facilitate the mutual development with local society, CSR continuously promoted strategic cooperation externally, vigorously implemented strategically collaborative project and deepened the capital cooperation with local government. With its bases in Tianjin, Chengdu, Guangzhou, Kunming, Luoyang, Ningbo, Hangzhou, Jiangmen, Wuhan and Nanning as the foothold, the construction of urban railway vehicle bases in Changzhou and Hefei were in steady progress, which not only boosted CSR's brand recognition, but also laid a solid foundation for expansion in the rapid transit market. By the end of 2013, more than half of rail traffic vehicles that were operated in the major cities of China were provided by CSR.

Reinforced strength in system integration: CSR is one of the enterprises with all-round urban railway related products and comprehensive industrial chain. It possesses a variety of technologies in relation to whole vehicle design and fabrication, as well as the ability to independently develop urban railway vehicles of different materials (aluminium alloy, stainless steel and carbon steel, etc.) and designed speed (80km/h, 100km/h and 120km/h).

CSR has mastered a variety of key technologies, including technologies for car body, bogie, traction control, traction converter, traction motor, braking system and signal system, which contributed to CSR's core strength in rapid transit

Knowledge Link:

Introduction to maintenance business: The vehicle inspection and repair system provides essential technology data and grounds for metro construction and operation, and thus plays an important role when metro companies determines the organisation structure of maintenance units, personnel allocation, equipment distribution, sit selection (rolling stock depots and car parks) and other aspects. The scale of investment and the level of efficiency are directly determined by the formulation of vehicle inspection and repair scheme, which affects a vehicle's usability, reliability and safety when it put into operation after the maintenance, and has impact on the carrying capacity of trains, and therefore is the foundation for the formulation of vehicle maintenance system.

Currently, the domestic metro companies generally adopt an inspection and repair scheme that combines scheduled inspection and repair with improvised maintenance. Scheduled inspection and repair refers to a regular inspection and repair arranged based on the performance of vehicle while improvised maintenance (or breakdown maintenance) refers to repair the deficiencies or malfunction identified and reported.


Energy-storing light rail vehicles


Modern trams


Maglev trains

industry. For the No.2 Metro Line Project in Changsha, in addition to the vehicle orders, CSR also won the tender for orders of traction, braking, signal and other core systems, fully demonstrating CSR's overall integration strength in the field of urban rail mechanical and electrical equipment.

Along with the continuous improvement in capability of vehicle system integration, attention was also paid to the provision of comprehensive rail transit system solutions to customers. In view of this, CSR aggressively entered into new general contracting domains such as BT, BOT and EPC with the operation of BT contracting projects in relation to trams in Qilin and Hexi districts of Nanjing, Yinzhou district of Ninbo and Changzhou as well as the BOT franchise project in respect of the No.2 rail transit in Foshan city having formally commenced.

Breakthroughs in leading-edge products: Focus was put on the development and promotion of future-oriented and environmentally friendly products while the Company achieved great success in metro, light rail and other traditional rapid transit markets. With the progress in and application of technologies for maglev system and super-capacitor storage, the new technology-based urban railway products were launched one after another while some of the new products had gained market shares: low-to-medium speed maglev transit system will be applied in the railway from Changsha high speed rail station to Huanghua airport in Hunan while contracts in relation to the modern tram with super capacitor as its energy storage device were entered into in Guangzhou, Ningbo and Huai'an. A new generation of trams for which two world-leading technologies, i.e. the permanent magnet motor drive and the articulated bogie technology, were adopted for the first time in China, was a success in trial production. CSR expected the application of new technology and new product in rapid transit system to create more bright sceneries for cities in the future.

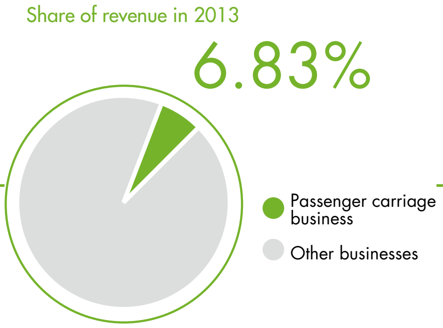
Passenger Carriage Business

Journey to Experience Quality of Life

Orders obtained involved **1,418** *units of passenger carriages in total*

The passenger carriage business of CSR mainly comprises CSR Puzhen, CSR Sifang, CSR Sifang Ltd., CSR Chengdu and BST with the revenue of RMB6.59 billion in 2013, representing a decrease of 14.99% over the previous year.

Catering to market demand: China's diversified operating modes have become the development trend. China's high-speed railway is developing rapidly while sufficient emphasis is also placed on the traditional passenger transportation. As the reform of electric railway facilities, increasing speed in the existing lines as well as the increasing demand from passengers for a clean, comfortable and convenient environment, demands for advanced passenger carriages with centralised power supply, air conditioners and sanitary facilities will gradually increase. Such demand led to the new vitality of the traditional passenger transportation market. By virtue of modular design, intensified technology innovation, lean production, and on-going enhancement in terms of quality, efficiency and benefits, CSR has managed to enhance its competitiveness in the traditional passenger carriage market. In 2013, passenger carriage orders obtained by CSR involved 1,418 units of passenger carriages.



Knowledge Link:

Development history of the industry: Since the beginning of 1990s, passenger carriage had been upgraded to Model 25 from Model 22 while improvement could be found in various aspects, including the strength, rigidity and corrosion resistance of the car body as well as the comfortableness, safety, environmental protection standard and the interior environment of the carriage. The first passenger carriage operated on the Qinghai-Tibet Plateau railway in the world was provided by CSR, and its operation represents that the technology applied in railway passenger carriage has reached the highest standard at present.

Introduction to maintenance business: Taking the Type 25G passenger carriage which has the most tender invitation recently for example, its inspection and repair comprises three categories, namely A1, A3(depot repair) and A4 (shop repair), among which, the repair cycle of A4 repair was running 240±600,000km or operating for 10 years from the completion or previous shop repair.


Passenger carriage used on Tibetan railway


Type 25G passenger carriage


Type 25T passenger carriage

Freight Wagon Business Carrying the Heavy Loads of Railway Transport

Freight wagon business recorded a revenue of RMB **9.932** *billion*

CSR's freight wagon business mainly comprises CSR Yangtze, CSR Meishan, CSR Erqi and CSR Shijiazhuang. In 2013, the former Ministry of Railways underwent reformation while the general demand for the railway freight wagon shrunk substantially as compared with last year. Under this adverse circumstance, CSR strengthened technology innovation, endeavored to expand the domestic and overseas markets, continued to deepen lean management, and eventually recorded a revenue of RMB9.932 billion from the freight wagon business, representing a decrease of 4.68% over the previous year.

Enriched product portfolio: CSR adhered to the market-oriented principle and continuously enhanced the in-depth research on the liability of new technology and product. The line dynamic test and the line compatibility test in respect of a variety of trial-produced 27t axle load general-purpose vehicles were completed, according to which, the dynamic performance indicators of such vehicles outperformed other freight wagons of the same type. The 30t axle load aluminium alloy coal hopper wagon developed by the Company adopted the integrated braking device, representing a leading technology in the world. The Company's new vehicle transport wagon can be used to carry automobile or general cargo, supporting the progress in transportation technology. Leveraging the advantages arising from the advanced technology platform, CSR was able to meet demand from domestic market while providing Australia and other overseas customers with quality customised products with different axle loads and designed speeds to satisfy their need for different types of railway freight wagons.

Steady Improvement in product quality: As one of the largest railway freight wagon manufacturers and maintainers in China, CSR paid great attention to the improvement of quality and reliability of freight wagons. The production capacity and quality of its freight wagons were enhanced steadily through overall promotion of lean production and strengthened development of quality system. At present, CSR has over 10 newly-built production lines for different types of freight wagons with a capacity of more than 30,000 units per annum. It also obtained all required qualification for railway freight wagon inspection and repair with a service capacity of more than 40,000 units per annum. In 2013, there were more than 300,000 vehicles produced by CSR running on the major transport railways in China and their good performance and reliable running status had earned high recognition in the market for CSR.

Knowledge Link:

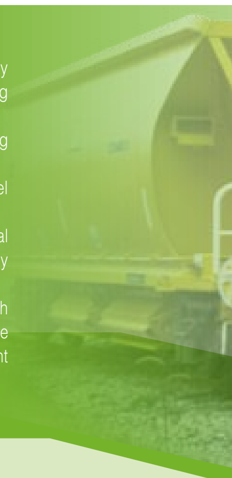
Development history of the industry: In the early years of the new nation, most of the freight wagons operated in China was the obsolescent vehicles produced by foreign enterprises. Car body of such wagon was usually made of steel and wood. Except for the major bearing beams, most panels were wooden, and the carrying capacity of the whole vehicle was approximately 30 tonnes to 40 tonnes.

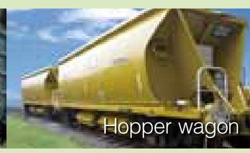
In the late of the 1950s and the beginning of the 1960s, China independently designed and developed a variety of all steel-welded freight wagons with a carrying capacity of 60 tonnes.

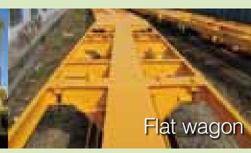
In the beginning of the 1980s, abundant new materials, technologies, techniques and structures were applied in the fabrication of railway freight wagons while the steel structure of car body mainly comprised home-made atmospheric corrosion resistance steels.

Since 2003, the overall upgrading of railway freight wagons commenced, during which, the general-purpose wagons with carrying capacity of 70 tonnes and special freight wagons with carrying capacity of 80 tonnes were developed. Aluminium alloy, stainless steels and high-strength weathering steels were applied in the car body production. The vehicle could reach a maximum speed of 120km/h.

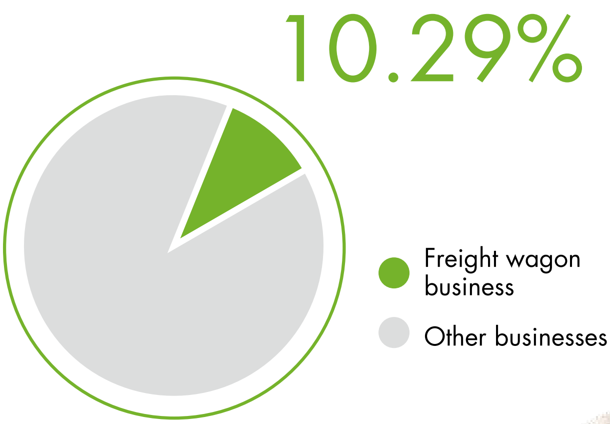
Introduction to maintenance business: The maintenances of railway freight wagons mainly follow the "preventive maintenance plan" and are supplemented with condition-based repair. Repair method mainly comprises parts replacement and the professional centralised repair of key parts and components. The regular maintenance of railway freight wagons generally can be classified into shop repair and depot repair while based on the running kilometers, the regular maintenance of railway freight wagons also can be classified into overhaul (Level A), comprehensive inspection and repair (Level B) and key inspection and repair (Level C).







Share of revenue in 2013



New Businesses *A Future-oriented Engine*

Revenue increased by **19.73%** *year on year*

By extending the proprietary rolling stock technologies, CSR has expanded into certain new businesses, such as "new materials, new energy equipment, electric transmission and industrial automation as well as engineering machinery". In 2013, revenue from new businesses amounted to RMB13,053 million, representing an increase of 19.73% as compared with last year.

Facilitating industrial distribution with capital: To improve industrial distribution through capital operation and acquisition is an essential means of CSR for industrial development. In respect of engineering machinery, CSR completed a cross-border acquisition by acquiring 55% of equity interests in E+M Drilling Technologies GmbH in Germany in August 2013, consolidating the multi-function truck-mounted drilling rig business into its engineering machinery business. Such kind of drilling dig can be extensively applied in deep layer well, geothermal exploitation, mine rescue, coalbed methane and shale gas exploitation, further improving CSR's competitive edges in the civil engineering machinery market. As for the new materials sector, a subsidiary of CSR and ZF Friedrichshafen AG, a global giant in automobile parts and components supply, entered into a master purchase agreement in December 2013, with the intention to acquire the entire rubber and plastic business of ZF Friedrichshafen AG (the "BOGE"). Upon completion of the acquisition, CSR can improve its core technology in vibration and noise reduction by leveraging the existing technologies, sales network and high-end customer base of BOGE, and then extend into the auto industry with huge market capacity, so as to significantly enlarge the overall enterprise scale and enhance the capability of international operation.

Impressive achievement in market expansion: Leveraging the profound strength in technology research and market promotion, CSR's new businesses record fruitful results in 2013. The new energy equipment industry had obtained a number of wind turbine project orders, providing almost 100 units of wind turbines with an aggregate amount of approximately RMB2 billion. A wind power generation motor contract was entered into with Goldwind Science with a contractual amount of RMB2.09 billion. In respect of fuel-efficient and new energy vehicles, the 60 hybrid electric vehicles ordered by Nanning city were put into operation while the yearly sales of new energy vehicles exceeded 1,000 units for the first time. The development of photovoltaic products was in a positive trend. With the value of newly signed contract over RMB200 million, CSR has become a well-know supplier of photovoltaic inverter and electric system and a general contractor of power station project in China. In terms of engineering machinery, the Company obtained another order in public bidding from the LTA involving 18 metro engineering maintenance vehicles. As for the high-end component sector, the IGBT product packaging line was completed, which is the first self-developed IGBT product packaging line in China. In the meantime, the Company's products had entered into various areas including rail transit, high-voltage transmission and distribution and new energy one after another while the sales of self-developed high-power and high-voltage IGBT products had reached 60,000 pieces.

Continuous breakthroughs in product research and development: Leveraging the three major technology platforms for design, fabrication and product, the new businesses of CSR launched a series of new products with CSR characteristics by integrating the features of products from different sectors. For the engineering machinery industry, the Icon-8 rail-road hydraulic aerial cage came out from which technology breakthroughs can be found in the aspect of steel wheel driver, the front and back bridge system and electric and hydraulic control. In October 2013, the first EBZ260 vertical axis hard rock boring machine in China was independently developed and completed by CSR, marking a milestone for its coal mining machine's progress in "intelligence, integration, high-end and internalisation". In the new energy equipment industry, its first 2MW wind turbine was completed, further supplementing the wind power industry spectrum of CSR. In the meantime, the first full-load hybrid electric bus was completed while the first super-capacitor trolley bus was successfully developed, perfecting the spectrum of new energy vehicle. In addition, CSR's electric business vehicles specially designed for governments, enterprises and public institutions, were listed in the 2014 national science and technology plan. As the vigorous advocate of home-made business vehicles by the government and the full promotion of new energy vehicles, the new energy business vehicles manufactured by CSR will usher in the spring of development.


Wind power equipment


Electric automobiles


Component sector


Engineering machinery

Knowledge link:
New materials: elastic element products, seismic mitigation and isolation products, insulating material and products, engineering plastics and products, composite reverse osmosis membranes and environmental protection water treatment engineering are included.
New energy equipments: wind power equipments (complete wind turbine generator, blade, generator, gear case, converter and so forth), energy saving and new energy vehicles and photovoltaic products as well as distributed power station are included.
Electric drive and industrial automation: industrial motor and transformer, industrial converter and electric device (power control, high-voltage inverter, soft start, industrial rectification, anti-explosion frequency converter and vessel integrated system), industrial internal-combustion engine (engine, crank axle and component) as well as gear driving system are included.
Engineering machinery: rail engineering machinery (complete engineering machinery complete vehicle, electric system and components) and civil engineering machinery (piling machinery, crawler crane, concrete machinery, coal mining machinery, special engineering machinery and complete product and components of mine electric unloading car) are included.

Overseas Business Equip the World with China's Power

CSR actively explored overseas businesses through reinforcement of strategic planning and innovation of business model to improve internationalized operation level of the Company. In 2013, revenue from overseas businesses amounted to RMB6,397 million, representing a decrease of 24.56% as compared to that of last year.

Record-high gains from market: In 2013, CSR obtained a total of overseas orders of US$2.23 billion, which hit a new record. In Argentina only, CSR received orders of MUs amounting to nearly US$1,000 million, which was the largest export order of inter-city MUs in China so far. Principal machines such as electric locomotives, inter-combustion locomotives, electric MUs, inter-combustion MUs, rapid transit vehicles, light rail, passenger carriages, freight wagons, engineering maintenance vehicles and so forth achieved export. During the year, the Company signed order contracts with 40 countries or regions including Argentina, Malaysia, Australia, Kazakhstan and so forth. The products of the Company were cumulatively exported to more than 80 countries and regions. Foreign clients' high recognition on CSR was mainly attributable to the leading technology level, reliable product quality, efficient cost-performance ratio and fast market responsiveness of CSR. In 2013, the stainless steel transit vehicle project of Ankara, Turkey was delivered to the client nine months in advance while the electric locomotive project of South Africa was completed in design and manufacture of the first locomotive within only eight months, which won CSR a wide range of appraise. Along with continuous improvement of internationalized brand and market recognition of CSR, overseas orders of the Company are developing on the way to more comprehensive product types, more extensive geographical distribution, more diversified and larger profit margins.

亞洲 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

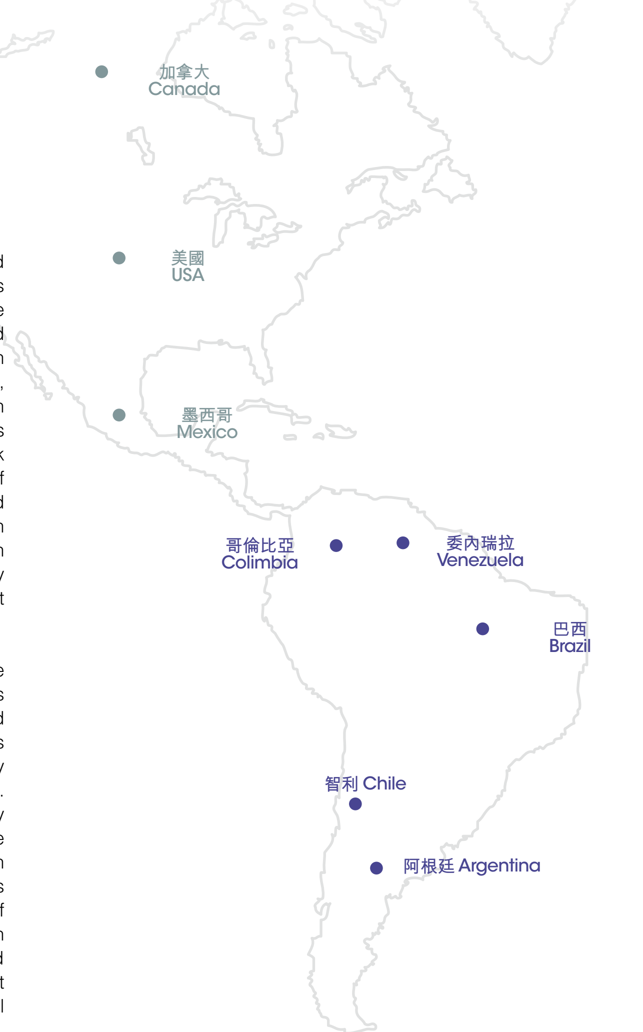

斯里蘭卡 Sri Lanka


柬埔寨 Cambodia


越南 Vietnam


阿聯酋 Emirates

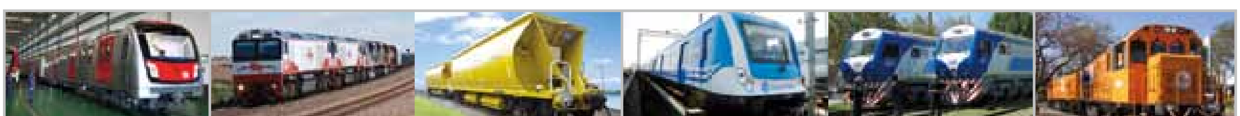
Overseas Business
Newly signed orders for 2013 amounted to US$ 2.23 billion



More optimised overseas planning: In recent years, based on projects and market, CSR continuously expedited overseas strategic planning and intensively explored local market to pursue sustainable development. The Company successively established subsidiaries and branches in several countries and regions such as Hong Kong, the United States, the United Kingdom, Australia, Malaysia, South Africa, Brazil, Turkey, Germany and so forth with overseas orders changing from "guerrilla war" oriented by orders to "positional warfare" focused on overseas marketing network establishment and localized operation. With several years of internationalised operation experiences, overseas subsidiaries and branches of CSR achieved fruitful results. Taking Malaysia as an example, all walks of life in Malaysia greatly had high recognition on CSR through the localized operation in Malaysia carried out by CSR. In 2013 only, CSR obtained 3 orders from Malaysia market with a total of approximately US$400 million.

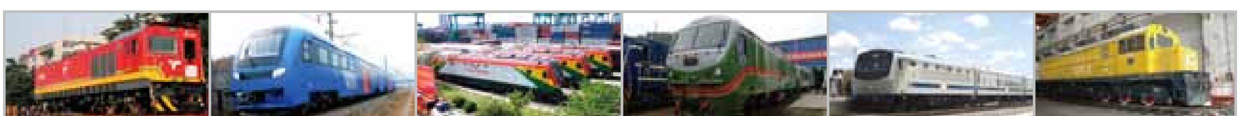
Innovative overseas business model: In order to further improve local service level overseas, CSR positively changed its business model from "product export" only to "product export plus localized manufacturing cooperation", focused on creating value for clients and took the initiative to connect with users' value chain to lay a solid foundation for continuous gains of international orders. In 2012, after the inter-combustion locomotive developed by CSR achieved assemble and delivery in Kazakhstan, users were rewarded with more value in the process of manufacture, which brought the Company several project contracts from different users in Kazakhstan in 2013. As for 95 electric locomotives project of South Africa, CSR not only carried out technological cooperation with manufacturing enterprise of the client and provided subcontracted business, but also provided trainings and support to local partners and employees, which helped build a good social image of CSR in South Africa.

歐亞洲 Europe and Asia 大洋洲 Oceania 南美洲 South America



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

非洲 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

(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 2013, 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 a revenue of RMB96.525 billion, representing a year-on-year growth of 8.43%, which was mainly attributable to the year-on-year growth of revenue from locomotives, rapid transit vehicles, new businesses, and modern logistics businesses.

(2) Revenue breakdown by business

Revenue from all businesses of the Company for year 2013 and the comparison with that for last year are set out in the following table:

	2013		2012		
Business	Amount (RMB'000)	Percentage %	Amount (RMB'000)	Percentage %	Growth rate %
Locomotives	19,845,554	20.56	14,396,003	16.17	37.85
Passenger carriages	6,590,448	6.83	7,752,539	8.71	(14.99)
Freight wagons	9,932,101	10.29	10,419,712	11.70	(4.68)
MUs	19,189,292	19.88	21,523,549	24.18	(10.85)
Rapid transit vehicles	8,250,930	8.55	7,947,207	8.93	3.82
New business	13,052,926	13.52	10,901,524	12.25	19.73
Others	19,663,801	20.37	16,078,915	18.06	22.30
Total	96,525,052	100.00	89,019,449	100.00	8.43

650 locomotives were sold by the Company, representing a year-on-year increase of 16.49%; revenue from locomotives, increased by 37.85% 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.

1,366 passenger carriages were sold by the Company, representing a year-on-year decrease of 37.60%; revenue from passenger carriages decreased by 14.99% on a year-on-year basis, which was mainly attributable to the drop in passenger carriages delivery by the Company.

18,015 freight wagons were sold by the Company, representing a year-on-year decrease of 9.07%; revenue from freight wagons decreased by 4.68% on a year-on-year basis, which was mainly attributable to the drop in freight wagon product delivery by the Company.

880 MUs were sold by the Company, representing a year-on-year decrease of 8.33%; revenue from MUs decreased by 10.85% on a year-on-year basis, which was mainly attributable to the drop in MU product by the Company and structural adjustment of products.

1,441 rapid transit vehicles were sold by the Company, representing a year-on-year increase of 7.94%; revenue from rapid transit vehicles increased by 3.82% on a year-on-year basis, which was mainly attributable to structural adjustment of products and the increase in product delivery .

Revenue from new businesses increased by 19.73% on a year-on-year basis, which was mainly attributable to stable increase in market of wind power industry and development of automobile equipments, resulting in a significant increase in overall revenue from new businesses. In 2013, revenue from wind power equipments amounted to RMB2.693 billion, representing a year-on-year increase of 31.30%; revenue from automobile equipments amounted to RMB2.214 billion, representing a year-on-year increase of 50.99%; revenue from construction machinery amounted to RMB2.648 billion, representing a year-on-year increase of 9.62%; while revenue from composite materials amounted to RMB2.020 billion, representing a year-on-year increase of 5.08%.

Other revenue includes revenue from modern logistics and businesses other than rolling stock business, representing a year-on-year increase of 22.30%. The increase in other revenue as compared to the previous year was primarily due to the expansion in modern logistics business.

(3) Analysis of orders

In 2013, the Company signed new orders of approximately RMB135 billion, representing a year-on-year increase of 65%, with unfinished orders of approximately RMB111 billion at the end of 2013, representing a year-on-year increase of 42%.

(4) Major suppliers and customers

In 2013, the procurement by the Company from its top five suppliers totalled RMB7,978.457 million, accounting for 11.76% of the total procurement for the year.

In 2013, the sales of the Company to its top five customers totalled RMB45,589.124 million, accounting for 47.23% 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 40.62% 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.

(5) Revenue breakdown by regions

For year 2013, revenue from the Company's operations by regions and the comparison with that of last year are set out in the following table:

	2013		2012		
Business	**Amount *(RMB'000)***	**Percentage %**	Amount *(RMB'000)*	Percentage %	**Growth rate** %
Mainland China	**90,128,187**	**93.37**	80,540,502	90.48	11.90
Other countries or regions	**6,396,865**	**6.63**	8,478,947	9.52	–24.56
Total	**96,525,052**	**100.00**	89,019,449	100.00	8.43

Revenue from domestic market of the Company increased by 11.90% as compared with that of last year, while revenue from other countries or regions decreased by 24.56%, which was mainly attributable to decrease in product delivery in the year.

2. Analysis of cost and gross profit margin

For year 2013, consolidated gross profit of the Company and the comparison with that of last year are set out in the following table:

Item	2013 Amount (RMB'000)	2012 Amount (RMB'000)	Growth rate %
Revenue	96,525,052	89,019,449	8.43
Cost of sales	79,896,059	73,264,022	9.05
Gross profit	16,628,993	15,755,427	5.54
Gross profit margin	17.23%	17.70%	

The Company's cost of sales increased by 9.05% 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 17.23%, representing a year-on-year decrease of 0.47 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 2013, the financial figures such as administrative expenses of the Company and year-on-year changes thereof are set out in the following table:

Item	2013 Amount (RMB'000)	2012 Amount (RMB'000)	Growth rate %
Selling and distribution costs	3,085,197	3,152,751	–2.14
Administrative expenses	8,561,806	7,687,561	11.37
Finance costs	546,350	764,356	–28.52
Share of profits and losses of associates and jointly-controlled entities	363,792	540,954	–32.75
Income tax expense	859,318	740,455	16.05

The decrease of 2.14% in selling and distribution expenses of the Company as compared with that of last year was mainly attributable to the decrease in overseas selling expense.

The administrative expenses of the Company increased by 11.37% 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 decreased by 28.52% as compared with that of last year, mainly attributable to the optimisation of the liability structure and the decrease in interest expense.

The decrease of 32.75% in the share of profits and losses of associates and jointly-controlled entities of the Company as compared with that of last year was mainly attributable to the decrease in profits of associates and jointly controlled entities.

The increase of 16.05% 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 2013, the Company continued to increase investment in science and technology R&D, totalling RMB5.22 billion throughout the year, which accounted for 5.3% of the revenue, among which, the R&D expenses was RMB3.63 billion, representing 7.86% of the net assets, the cost of R&D expenses was RMB3.60 billion, whilst the capitalization of R&D expenses was RMB30 million. The Company carried out more than 1,500 R&D projects and introduced innovations in the high-end fields of the industry such as MUs, rapid transit vehicles, locomotives, freight wagons and so forth. China's first intelligent high-speed train, the first high-speed MUs exported to Hong Kong, the first electric locomotives exported to South Africa and the first new stainless steel transit exported to Ankara, Turkey were successfully put into service. The operation examination for electric locomotives for passenger transport with designed speed of 160 km/h and HXN5 high-power internal combustion locomotive with double cabs were completed and the licenses for production and sales were obtained. The prototype of Shenhua alufer hopper cars with 30-tonne axle loads at advanced domestic level was completely developed. The implementation of science and technology R&D projects gave strong supports to the Company's dominant position in the global innovation competition for technologies.

5. Breakdown of the cash flow during the reporting period

In 2013, the cash flow of the Company and the year-on-year changes thereof are setout in the following table:

Item	**2013 Amount *(RMB'000)***	2012 Amount *(RMB'000)*	**Growth rate** %
Net cash flows from operating activities	**5,411,851**	2,394,692	125.99
Net cash flows from investing activities	**–7,245,304**	–4,245,623	70.65
Net cash flows from financing activities	**1,473,079**	–5,672,474	—

The net cash flows from operating activities of the Company increased by 125.99% over last year, which was mainly due to the significant increase in cash collection from receivables resulting from reinforcement of trade receivables management.

Net cash flows from investing activities of the Company recorded a deficit increased by 70.65% over last year, which was mainly due to expansion of finance leases and the increase in cash paid for finance business investment.

Net cash inflows from financing activities of the Company were RMB1.473 billion, which was mainly due to newly-issued debentures, receipts of borrowings and repayment of certain borrowings.

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 reorganisation 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 RMB 1.5 billion were issued with an interest rate of 4.7%, maturing on 22 April 2018 and 10-year bonds of RMB 1.5 billion were issued with an interest rate of 5%, maturing on 22 April 2023.

③ Ultra short-term debentures: On 6 December 2012, 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 4.38% and the maturity date was on 3 September 2013, which has been repaid upon maturity. On 25 January 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 RMB1 billion. The interest rate was 4.00% and the maturity date was on 27 July 2013, which has been repaid upon maturity. On 31 January 2013, the Company issued ultra short-term debentures with a term of 90 days in the PRC interbank bond market, with an issue amount of RMB2 billion. The interest rate was 3.90% and the maturity date was on 2 May 2013, which has been repaid upon maturity. On 5 July 2013, the Company issued ultra short-term debentures with a term of 90 days in the PRC interbank bond market, with an issue amount of RMB1.5 billion. The interest rate was 4.50% and the maturity date was on 6 October 2013, which has been repaid upon maturity. On 13 August 2013, the Company issued ultra short-term debentures with a term of 90 days in the PRC interbank bond market, with an issue amount of RMB2 billion. The interest rate was 4.54% and the maturity date was on 12 November 2013, which has been repaid upon maturity. 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.

④ Mid-term notes: On 3 February 2010, the Company issued mid-term notes with a term of three years in the PRC interbank bond market, with an issue amount of RMB2 billion. The interest rate was 4.08% and the maturity date was on 3 February 2013, which has been repaid upon maturity.

⑤ Issuance of shares of subsidiaries: The A share placement of Times New Material was completed on 21 June 2013. Please refer to the announcement published by Times New Material on the Shanghai Stock Exchange on 21 June 2013 for details of the placement and financing. The non-public issuance of H shares of Times Electric was completed on 25 October 2013. Please refer to the announcement published by CSR Times Electric on the Hong Kong Stock Exchange on 25 October 2013 for details of the non-public issuance of H shares.

(3) Progress of development strategy and business plan

In 2013, the Company achieved revenue of RMB96.525 billion, representing a year-on-year increase of 8.43%. 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's manufacturing capability has reached the international first-class 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.

(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 2013, 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 2013 are set out in the following table:

Item	2013		2012		
	Amount *(RMB'000)*	**Percentage** %	Amount *(RMB'000)*	Percentage %	**Growth rate** %
Total current assets	**82,952,781**	**68.48**	72,261,392	68.68	14.80
Of which: cash and cash equivalents	**14,905,100**	**12.31**	14,497,265	13.78	2.81
Bills receivables	**6,196,202**	**5.12**	3,735,597	3.55	65.87
Trade receivables	**34,120,810**	**28.17**	26,618,776	25.30	28.18
Inventories	**17,721,119**	**14.63**	18,770,236	17.84	–5.59
Total non-current assets	**38,176,631**	**31.52**	32,955,909	31.32	15.84
Of which: property, plant and equipment	**25,200,595**	**20.80**	22,970,563	21.83	9.71
Total assets	**121,129,412**	**100.00**	105,217,301	100.00	15.12

As at 31 December 2013, the ratio of current assets to total assets of the Company was 68.48%. 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 2.81% 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 12.31% of the total assets as at the end of the year, representing a decrease of 1.47 percentage points from the beginning of the year.

The bills receivables of the Company as at the end of the year increased by 65.87% as compared with that as at the beginning of the year, mainly attributable to the increase in the scope of sales revenue and settlements with acceptance bills by clients. In relative terms, bills receivables of the Company accounted for 5.12% of the total assets as at the end of the year, representing an increase of 1.57 percentage points from the beginning of the year.

Trade receivables of the Company as at the end of the year increased by 28.18% as compared with that as at the beginning of the year, mainly due to the expansion in sales scale and 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 28.17% of the total assets as at the end of the year, representing an increase of 2.87 percentage points from the beginning of the year.

Net inventories of the Company as at the end of the year decreased by 5.59% as compared with that at the beginning of the year, mainly due to evident effect from lean management of the Company and inventory control. In relative terms, net inventories of the Company accounted for 14.63% of the total assets as at the end of the year, representing a decrease of 3.21 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 9.71% as compared with that as at the beginning of the year. Such increase was mainly attributable to completion of the projects that the Company invested and the increase in fixed assets as a result of upgrade of products and technologies by the Company. In relative terms, the net value of property, plant and equipment of the Company accounted for 20.80% of the total assets as at the end of the year, representing a decrease of 1.03 percentage points from the beginning of the year.

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 2013 are set out in the following table:

	2013		2012		
Item	**Amount *(RMB'000)***	**Percentage %**	Amount *(RMB'000)*	Percentage %	**Growth rate %**
Total current liabilities	**67,000,199**	**89.36**	61,538,414	93.66	8.88
Of which: interest-bearing bank and other borrowings	**7,606,292**	**10.15**	8,595,597	13.08	–11.51
Bills payables	**13,574,959**	**18.11**	12,948,103	19.71	4.84
Trade payables	**31,798,126**	**42.41**	26,714,857	40.66	19.03
Other payables and accruals	**12,523,543**	**16.70**	11,929,561	18.16	4.98
Total non-current liabilities	**7,974,582**	**10.64**	4,169,026	6.34	91.28
Of which: interest-bearing bank and other borrowings	**3,568,511**	**4.76**	727,376	1.11	390.60
Defined benefit obligations	**1,232,950**	**1.64**	1,437,450	2.19	–14.23
Total liabilities	**74,974,781**	**100.00**	65,707,440	100.00	14.10

As at 31 December 2013, the current liabilities of the Company accounted for 89.36% 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 11.51% as compared with that as at the beginning of the year, primarily due to the repayment of bonds payable due within a year 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 10.15% as at the end of the year, representing a decrease of 2.93 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 increased by 4.84% as compared with that as at the beginning of the year. Such increase was mainly attributable to the increase in settlements by bills with its suppliers. In relative terms, the proportion of bills payables in the total liabilities of the Company was 18.11% as at the end of the year, representing a decrease of 1.60 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 19.03% 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 42.41% as at the end of the year, representing an increase of 1.75 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 4.98% as compared with that as at the beginning of the year. Such increase was mainly attributable to the increase in tax payable and salary payable as at the end of the year. In relative terms, the proportion of other payables and accruals in total liabilities of the Company was 16.70% as at the end of the year, representing a decrease of 1.46 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 390.60% as compared with that as at the beginning of the year, mainly attributable to issuance of corporate bonds for the purpose of replenishment of various fund needs such as working capital.

As at the end of the year, the defined benefit obligations of the Company decreased by 14.23% from last year due to payment and took up a lower proportion by 0.55 percentage point.

As at 31 December 2013, the financial leverage of the Company was 59.03%. Details are set out in Note 45 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	7,346	–383	—	—	–217	6,746
2. derivative financial instruments	2,243	2,000	—	—	—	4,243
3. available-for-sale investment	493,553	—	330,983	—	–154,608	669,928
Sub-total of financial assets	503,142	1,617	330,983		–154,825	680,917
Financial liabilities						
Sub-total of financial liabilities	—	—	—	—	—	—

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 below:

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	7,346	–383	—	—	–217	6,746
of which: derivative financial instruments	—	—	—	—	—	—
2. loans and other receivables	3,144,820				–740,978	2,403,842
3. available-for-sale investment	491,010	—	331,549	—	–154,607	667,952
4. investment held to maturity	—	—	—	—	—	—
Sub-total of financial assets	3,643,176	–383	331,549	—	–895,802	3,078,540
Financial liabilities						
Sub-total of financial liabilities	1,489,841	—	—	—	1,472,571	2,962,412

5. Significant capital expenses during the reporting period

The significant capital expenses of the Company in 2013 are set out in the following table:

Item	2013 Amount (RMB million)	2012 Amount (RMB million)
Property, plant and equipment	4,314	3,246
Prepaid land lease payments	141	280
Total capital expenses	4,455	3,526

The capital expenses of the Company were mainly used for construction of property, plant and equipment, etc., 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 2013, the following assets of the Company were pledged to secure bank loans:

Item	Amount (RMB'000)
Property, plant and equipment	52,630
Prepaid land lease payment	—
Time deposits and bank balances	600
Inventories	—
Trade receivables	5,000
Bills receivables	13,300
Total	71,530

7. Particulars of contingent liabilities

The Company had no contingent liabilities in 2013.

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 parent 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 railway electric locomotives, MUs and rapid transit vehicles	Rolling stock manufacturing industry	4,003,794	22,489,585	5,811,901	5,925,032	21,630,476	1,566,793	1,435,528
CSR Zhuzhou	Research and development and manufacture of railway MUs, passenger carriages and rapid transit vehicles; provision of maintenance services of railway MUs and high-end passenger carriages	Rolling stock manufacturing industry	4,184,196	18,241,951	4,780,502	5,519,071	20,036,269	1,016,302	1,012,456
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	27,498,019	7,290,511	14,522,181	16,307,059	1,471,720	660,307
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	12,991,213	1,969,511	3,077,857	8,518,077	190,038	138,339
CSR Yangtze	Research and development, manufacture and maintenance of railway freight wagons	Rolling stock manufacturing industry	2,372,869	5,441,802	2,373,079	2,418,952	5,314,917	56,809	63,385
CSR Qishuyan Institute	Research and development, manufacture and sales of locomotives, passenger carriages, freight wagons, MUs and components for rapid transit vehicles as well as extended technology of rolling stock	Rolling stock manufacturing industry	1,560,000	5,919,483	1,887,949	1,980,567	5,006,974	47,220	53,792

Note: Operating income of CSR Zhuzhou increased by 32.15% for 2013 over the last year, mainly attributable to the increase in sales volume and the change in products types structure.

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	681,887	335,715	8.11

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 2013, BST recorded revenue, profit from operation and net profit amounting to RMB4,320 million, RMB880 million, and RMB680 million, respectively.

9. Staff of the Company

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 of its innovative capability. By following international advanced standards and building the comprehensive technical platforms for designs, manufacturing and products, it has formed world-class independent innovative capability; the integration of internal and external resources and establishment of collaborative innovation mechanism of production and research has shortened the production cycle from primary research to industrialization. In an effort to strengthen, improve and prioritise the rolling stock manufacturing, the Company kept on enhancing input on technological innovation for solid work progress and obtaining core technologies, which brought a number of new advance level technological innovation results of world advanced level.

In 2013, the Company has established a central research institute, achieved "one platform and three centres", with strategic and development research, technological and product planning, technique management and systematic structuring, basic, forward-looking and common technology studies as the major tasks. By integrating technology and management resources, gathering talents, improving technological innovation and strategic research system, it aims to add "innovation in manufacturing by China".

2. Unique lean management system

Consolidating its own features of production and operation, the Company had carried out lean production and continued to optimize its management system and workflow, through which a lean management system with CSR's characteristics was formulated. The Company strengthened basic management of 5S, TPM, innovative proposals and team building and optimized technological layout. It improved logistics, carried out streamlined and efficient workshop production, with a huge focus on management of details and systematic improvement. The Company has improved its on-site management and the quality of the employees and achieved obvious progress in improving quality, reducing cost and improving efficiency. Its manufacturing techniques for manufacturing high-end complete units of vehicles are of world class with significant improvement in production efficiency and world leading position in product safety and reliability.

In 2013, the Company enhanced its level of corporate management by focusing on streamlined management. Pursuant to the plan for implementing streamlined management, the Company made breakthroughs from the innovation of operation in an effort to facilitate the construction of streamlined model zones (lines) and workshops (branches) to improve the on-site management. The Company also improved the streamlined management by function based on the simulated production lines and delivery lines. By encouraging everyone to participating in sustainable improvement, the Company cultivated the streamlined culture to strengthen its corporate soft power. The Company carried out management improvement activities centring on streamlined management. Through improving the construction of the operational management platform, the Company strived to form a streamlined management mode in agreement with the actual situation of CSR and with CSR characteristics to facilitate the sustained and sound development of CSR.

3. Sharp improvement in market exploration

Leveraging the demand in the Chinese market for high product standards in terms of reliability, comfort, and safety, the Company accurately targetted for pioneering new products such as high-speed MUs, high-power locomotives, heavy-loaded freight wagons, rapid transit vehicle to cater to users' demand. The Company had built close and harmonious partnerships with government departments and customers. Based on its customers, the Company established a comprehensive after-sales services system and secured orderly operation for users. Meanwhile, the Company expedited overseas market exploration, and extended overseas sales channels and customer service capacity. As a result, its products had entered the global market comprising more than 80 countries and regions, and its standard of internationalized operation had been significantly improved.

4. World-class manufacturing standard

High-speed railways are associated with manned space flight, lunar exploration projects, manned submersible, and supercomputer, as the significant results of China's innovative construction. The CRH380A high-speed MUs produced by the Company are the core equipment of the high-speed railway system, which require highly sophisticated system and manufacturing technologies. Other products such as high-power locomotives and rapid transit vehicles have similar structure and technical features. With these innovative designs, the Company attained world-class standards by advancing technologies, improving technological methods and reinforcing production management.

5. Continuously optimised team of core talents

Themed high-end talents leading an internationalised CSR, the Company built a core technological team with layers, various posts and professions. It initiated a project aiming to gather around 10,000 core talents specialised in techniques, management and skills to facilitate the development of talents in their professional and vocational skills, performance and international vision. Taking the team of engineering technique talents for example, the Company boasted the only two Academicians of the Chinese Academy of Engineering in rolling stock industry and cultivated a team of leading talents with strong innovative abilities and widespread industrial influence, which offered strong support for the improvement of the innovation ability of the Company.

6. Growing brand influence

The Company implemented the brand strategy and promoted the core values of the brand of being "reliable, innovative, international, superior and eco-friendly". All the staff endeavored to fulfill the commitments to the shareholders, customers, partners and the society. CSR has built its image as an enterprise which has the courage to reform and excel in innovation. CSR enjoys a growing brand awareness and influence at home and overseas.

With a brand value of RMB29.536 billion, CSR was acclaimed to be the 53rd among the 500 most valuable brand name in China in 2013 by the World Brand Lab and ranked first in the machinery industry. Its brand influence was assessed as "world-class".

(V) Analysis on Investment

1. General analysis of external investment in equity

In 2013, the Company's external investment in equity was RMB2.441 billion, representing a decrease of RMB3.313 billion over the same period last year. Particulars of the major investee companies are as follows:

Name of the investee	Principal business	Percentage in the equity of the investee (%)	Investment form
CSR Zhuzhou	Research and development and manufacture of railway electric locomotives, MUs and rapid transit vehicles	100	Capital increase
CSR Puzhen	Research and development, manufacture and refurbishment of rolling stock vehicles such as passenger carriages and MUs	100	Capital increase
CSR Luoyang	locomotive repair, etc.	100	Capital increase
CSR Electric	Manufacture of traction motors, traction converters, wind power generators and industrial specialised motors, etc.	100	Capital increase
CSR Qishuyan	Research and development, manufacture and repair of internal combustion locomotives, etc.	100	Capital increase
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	100	Capital increase
CSR Chengdu	Repair of railway locomotives and passenger carriages; manufacturing and repair of motors	100	Capital increase
CSR International	Import and export agency of cargo and technology; sales of rail transit facilities machineries, leasing of railway transportation equipments and machineries, etc.	100	Newly established

(1) Securities investment

Currency: HKD

No.	Stock Variety	Stock Code	Stock Short Name	Initial Investment Amount (HKD)	Number of Shares Held (share)	Carrying Amount at the End of the Period (HKD)	Percentage in Securities Investment at the End of the Period (%)	Gain or Loss Occurred during the Reporting Period (HKD)
1	Shares listed in Hong Kong	01618.HK	MCC	38,484,429	6,000,000	8,580,000	100	-480,000

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

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 n the Reporting Period	Changes in Owner's Equity during the Reporting Period	Accounting Item	Source of Equity Interest
601328	Bank of Communication	RMB752,324	—	RMB1,976,617	—	RMB-566,218	Available-for-sale investments	Purchase
00958.HK	HN Renewables	HK$37,878,000	—	HK$55,800,000	HK$72,829,770	HK$196,048,698		
00816.HK	Huadian Fuxin	HK$146,953,610	1.16	HK$270,694,180	HK$71,555,446	HK$169,973,866		
01829.HK	CMEC	HK$387,885,829	1.74	HK$449,928,930	—	HK$49,782,840		
6818.HK	CEB Bank	HK$76,382,245	—	HK$73,150,000	—	HK$-3,232,250		

Notes: 1. The equity interests held by the Company represent less than 1% of the share capital of Bank of Communications, HN Renewables and Everbright Bank, respectively.

2. During the reporting period, the Company reduced its shareholding in Huadian Fuxin by 146,952,000 shares at an average price of HK$2.158 per share and made a profit of approximately HK$71,560,000. After the reduction in its shareholding, the Company still held 88,174,000 shares of Huadian Fuxin. The Company reduced its shareholding in HN Renewables by 140,542,000 shares at an average price of HK$3.04 per share and made a profit of approximately HK$72,830,000. After the reduction in its shareholding, the Company still held 15,000,000 shares of HN Renewables.

(3) 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 (%)	Investment in the Period (RMB)	Carrying Amount at the End of the 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
Jiangsu Bank	74,400	74,400	—	—	74,400	5,952	—	Available-for-sale investments	Purchase
Huarong Xiangjiang Bank Corporation Limited	1,006,250	875,000	—	236,250	786,250	42,000	—		
Donghai Securities Co., Ltd.	19,483,800	20,000,000	1.2	—	19,483,800	—	—		

Note: 1. The Company's equity interests in Jiangsu Bank and Huarong Xiangjiang Bank Corporation Limited represent less than 1% of their respective share capital.

2. During the reporting period, a total of 175,000 allotment shares of Huarong Xiangjiang Bank Corporation Limited were purchased at a subscription price of RMB1.35 per share.

(4) Purchase of shares of other listed companies

Names of Shares	Number of Shares at the Beginning of the Period *(Share)*	Number of Shares Purchased during the Reporting Period *(Share)*	Amount of Capital Utilised *(RMB)*	Number of Shares Sold during the Reporting Period *(Share)*	Number of Shares at the End of the Period *(Share)*	Profit from investment *(RMB)*
Huadian Fuxin H Share	235,126,000	—	—	146,952,000	88,174,000	HK$71,555,446
HN Renewables H Share	155,542,000	—	—	140,542,000	15,000,000	HK$72,829,770
CMEC H Share	7,114,000	64,645,000	HK$352,601,757	—	71,759,000	—
CEB Bank H Share	—	19,000,000	HK$76,382,250	—	19,000,000	—

Note: During the reporting period, the investment profit from the disposal of shares of listed companies amounted to HK$144,385,216 in aggregate.

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

(1) Entrusted wealth management

The Company did not have any major entrusted wealth management during the year.

(2) Entrusted loans

The Company did not have any entrusted loans during the year.

(3) Other wealth management and investment in derivatives

For derivatives of the Company, please see Note 28 to the financial statements prepared under IFRSs in this 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).

As at 31 December 2013, bank deposit interests of such proceeds amounted to RMB17,330,000 (handling fees of bank of RMB30,000 deducted). In 2013, the Company used an aggregate of RMB738,310,000 of the proceeds which was utilised in projects funded by proceeds. RMB2,855,000,000 of the proceeds was used to temporarily supplement working capital. As at 31 December 2013, the balance of proceeds raised from the non-public issuance of A shares of the Company amounted to RMB52,880,000.

As approved by the 21st meeting of the second session of the Board held on 25 October 2012 and the 2012 first extraordinary meeting of the Company, the Company may utilise an aggregate of RMB3,658 million that are currently not in use to temporarily supplement the working capital for a term of not more than six months. The Company temporarily utilised RMB869 million and RMB2,770 million (RMB3,639 million in aggregate) to supplement the working capital on 25 October 2012 and 12 November 2012 respectively. Such capital has been repaid in full with RMB80 million and RMB3,559 million (RMB3,639 million in aggregate) on 1 February 2013 and 24 April 2013, respectively.

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 Supervisory Committee, the Company utilised an aggregate of RMB3,400 million 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 RMB350 million, RMB60 million, RMB20 million and RMB115 million on 28 June, 14 August, 22 October and 26 December 2013, respectively, with RMB2,855 million to be repaid.

4. Material projects not funded by proceeds

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

5. 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

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, comprising 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. Great opportunities also beckon for the development of urban rail transits industry. Urban tail 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.

By virtue of technology absorption and self-innovation, the Company reinforced its strength in the self-research, 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

1. Opportunities and challenges ahead of the Company

Great development opportunities are underway 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 prospect of railway development was still considered to be diversified. 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 upgrade, expanding internal need and stabilise 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, 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 advancing 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.

Challenges that lie ahead for the Company are as follows: 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 crisis 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 as multiple challenges to the market competitiveness, technology innovation ability, corporate governance capability, risk prevention capability and the international operating capability of the Company.

2. Development strategies of the Company

During the "Twelfth Five-Year" period, the Company 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 high-end manufacturing and service enterprise focusing on production and financing integration and cross-sector development with a high level of internationalisation. CSR is aiming to become a leading enterprise among its international peers and to build CSR's brand into a globally recognised 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 align 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 cement 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 streamlined production.

Freight wagon: Leveraging its existing production capability, the Company proposes to enhance its technological innovation and capacity expansion, so as to meet the demand for new products such as big-axis 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 expand and enhance rapid transit vehicle operations by speeding up the improvement and optimisation of the industrial layout, improving overall capacity and scale operation with quick response to market. 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 material, new energy equipment, electric powered 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

2014 is a year of implementing the spirit of the Third Plenum of the 18th Central Committee of the Communist Party of China and comprehensively carrying forward reform, and also an important year to promote implementation of "Twelfth Five-Year" development strategy acceleration of transformation and deepening reform and development. The Company will conscientiously sum up its experiences and analyse the situation in a bid to achieve an revenue growth of over 10% and sustainable corporate development. As such, it will focus on achieving the following tasks: First, it will promote reform in the enterprise and add to the momentum for development in the transformation. It will optimise and integrate the business structure, improve the assessment of economic accountability, strengthen capital operation and innovate human resources management. Second, it will step up innovation to improve the strength of sustainable development. By improving the technological innovation system and accelerating the research and development of new products and core technologies, it will continuously improve the quality and service of products. Third, it will reinforce scientific management and lay a solid foundation for the development of the enterprise. It will improve the level of information management and establish a long-term mechanism for the enhancement of management. It will comprehensively carry forward steamlined management and sustainably strengthen financial management to improve risk control and management, auditing and supervision. Fourth, it will proactively expand the market and the area for corporate development. By holding on to the domestic railway transportation market and exploring overseas market, it will make efforts to explore emerging industrial market. Fifth, it will strengthen the soft power of the enterprise and enhance the cultural and brand building of the enterprise to unity forces for harmonious development.

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

In 2014, in view of its development strategy and production and operating needs, the Company plans to invest RMB4.26 billion in fixed assets, mainly in projects of strategic importance to its development, such as extended industries that utilise proprietary rolling stock technologies, rapid transit vehicles and inter-city MUs. 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. Risks on product quality

As a rolling stock enterprise, most of the Company's products are closely related to public interest. Should any problem occur with the quality of the products, it will exert serious impact on the public. As China's express railway network and inter-city railway network progresses, the operating number of express railway and urban railway vehicles will increase dramatically. It will be a major test to ensure the reliable operation and quality safety of rolling stock. As the products upgrade, higher standards have been raised for the quality and reliability of rolling stock, and new challenges have been posed to the Company's ability for sustainable innovation and quality guarantee.

Countermeasures: First, establish a special department to manage and supervise the quality risk; second, establish and improve an assessment system for product safety, implement assessment during the designing of products and exercise quality control from the very source; third, continuously improve the mechanism and process on quality regulation and strictly control the quality management pursuant to technical standards and refined management standards; fourth, continuously reinforce and promote standardized after-sale services to ensure safety and reliability of products put into operation; fifth, strengthen the quality regulation and control of the products from suppliers and establish mechanism such as commodity quality cash deposit, reserve for compensation to quality accidents and quality insurance to avoid potential risks with product quality.

2. Risks on macro policy

Rolling stock industry in which the Company is engaged relies highly on national macro economic policies. Fluctuations in the national macro economic policies will exert great influence on the development of the Company. The new mechanism and new policies formulated by governmental reform will bring certain uncertainties to the market exploration and product marketing sales of the Company. The layout of inter-city railway and urban subway construction system will pose new challenges to the management mode, operational model resource utilisation and the coordination ability of the Company.

Countermeasures: Proactive communication with related governmental authorities is the major channel. The Company will also collect information concerning national politics, economics, industry, law and environment, etc and analyse the changes in market needs and conduct research and prediction on the market trend in a timely manner. In addition, it will adjust the corporate planning according to the implication of national industrial policies, facilitate the diversification of the specialised technology on rolling stock and establish and develop the diversified Industrial and product structure relating to rolling stock in a bid to confront the risks.

3. Risks on market competitions

The homogeneous competition between major global enterprises of rolling stock has been intensifying, which has brought challenges to the enterprises in how to make breakthroughs in the market competition. The global economic recovery has been slow with rising trade protectionism, and gap exists between the Company and the globally leading enterprises in internationalised operation and market exploration. These factors will influence the Company's performance in international market competition and its product export to a certain degree.

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 analysis of the changes of domestic and international market demand, and comprehensive estimates of market trends and countermeasures to market changes; second, the Company will double effort in scientific research investment, and extend the industry value chain, in a bid to continuously enhance the technology and cost advantages of the Company's products and maintain the Company's market competitiveness as an industry leader to strengthen the core competitive edge of the Company and its products.

4. Risks with exchange rates

Operational activities such as the export of the products of the Company and overseas investment and acquisition have been increasing, which may expose the Company to various risks caused by the fluctuation of exchange rates. For example, 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, the conversion risks caused by the change of value after the settlement of certain projects in the currency change statements, and the risk of change in the value of the Company caused by the changes on economic indicators such as the quantity, price and cost of the production and sales of the Company due to fluctuation in exchange rates.

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.

5. Risks arising from force majeure incidents such as natural disasters

Natural disasters such as earthquakes, typhoons, tsunamis and floods, as well as other force majeure incidents might lead to financial losses and casualties to the Company and affect its normal production operation.

Countermeasures: Establish and improve its natural disaster contingency plan management mechanism, regularly organise disaster response drills and increase the awareness of disaster prevention of the staff, so as to minimise the possible losses and impacts of natural disasters.

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. The profit distribution policy of the Company after adjustment is as follows: The Company's profit distribution policy shall remain consistent and stable, and shall be in the interest of the Company in the long term and the interests of all shareholders as a whole and in line with the sustainable development of the Company. The Company may distribute dividends in the form of cash or shares or a combination of both at the same time. The Company gives priority to profit distribution in cash. The Company shall take full account of return to investors and distribute dividends to the shareholders in a certain proportion to the Company's distributable profit realised for the year as set out in that year's consolidated financial statements. The Company may distribute dividends in the form of cash or shares or a combination of cash and shares. Under favorable circumstances, interim profit distribution may be made by the Company. In the absence of certain special circumstances, if the Company records profit for the year and its accumulated undistributed profit is positive, and is capable of meeting the actual demand for distribution, the Company shall distribute dividends in cash, and the profit distributed in cash per annum shall not be less than 15% of the Company's distributable profit realised for the year as set out in that year's consolidated financial statements and the aggregate profits distributed in cash of every three years shall not less than 45% of the average annual distributable profits realised for the latest three years as set out in the Company's consolidated financial statements. When the Company is in a sound operating condition, and the Board considers that the Company's stock price does not reflect its scale of capital, and distributing dividends in shares will be in the interests of all shareholders as a whole, the Company may propose the distribution of dividends in shares upon fulfilment of the above conditions concerning cash dividends. The profit distribution plan of the Company shall be considered and approved at a meeting of the President's Office before being submitted to the Board and the Supervisory Committee of the Company for consideration. The Board shall thoroughly discuss the rationality of the profit distribution plan and form a special resolution, which will then be submitted to the general meeting for consideration.

The Company held the 31st meeting of the second session of the Board, which considered and approved the Proposal in Relation to the 2013 Profit Distribution Plan of the Company. The Board proposed a profit distribution to shareholders of RMB0.09 per share (tax inclusive) in 2013. The profits to be distributed accounted for 30.01% of net profits attributable to shareholders of the Company in the consolidated financial statements, which is in compliance with the requirements in the Articles of Association and the Shareholders' Return Plan, safeguarding the interests of investors. The distribution plan is subject to consideration and approval at the general meeting of the Company.

The Company will announce separately the record date and date of closure of register of members of the Company for the payment of H share dividends.

(II) The profit and the parent company's undistributed profit for the reporting period were positive, but no cash dividend distribution plan was proposed. The company should therefore disclose the reasons in detail and the plans for the purpose and use of the undistributed profit

Not applicable.

(III) Dividend distributions or proposals, transfer of capital reserves to share capital or proposals 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) *(RMB)*	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 *(RMB)*	Percentage of net profit attributable to the shareholders of the Company in the consolidated financial statements *(%)*
2013	0.9	124,227	413,997	30.01
2012	0.9	124,227	400,946	30.98
2011	1.8	248,454	386,415	64.30

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) (《國家稅務總局關于印發＜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 continuing connected transactions

In accordance with the relevant requirements of the Hong Kong Listing Rules, the Company shall disclose its following continuing connected transactions with CSRG.

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:

Unit: RMB million

No.	Connected transaction	2013 annual cap	Actual transaction amount in 2013
1	Aggregate procurement value under the Mutual Product Supply Framework Agreement with CSRG	**1,513.93**	**474.42**
2	Aggregate sales value under the Mutual Product Supply Framework Agreement with CSRG	**1,035.98**	**276.03**

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 entered into on 28 March 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, CSR Finance offered a loan of RMB30 million to Ningbo CSR New Energy Technical Co., Ltd. (寧波南車新能源科技有限公司), a subsidiary of CSRG. 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 Company;
- conducted on normal commercial terms or if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable than terms available from/to (as appropriate) independent third parties, 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 Company and its shareholders as a whole.

The auditors of the Company have reviewed the aforesaid continuing connected transactions and issued a letter to the Board, stating that:

- such transactions have received the approval of the Company's Board;
- such transactions are in accordance with the pricing policies of the Company;
- such transactions are entered into in accordance with the relevant agreements governing the transactions; and
- the actual transaction amounts have not exceeded the relevant caps disclosed in the announcements of the Company.

Save as the above, pursuant to the Hong Kong Listing Rules, certain related party transactions in Note 42 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.

(II) 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 2013. 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 2013.

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 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 38 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 2013 are set out in Note 33 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 2013 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 RMB824 thousand 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 2013.

(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 34 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

Chen Dayang

Executive Director

Zhao Jibin

Independent Non-executive Director

Yang Yuzhong

Independent Non-executive Director

Chen Yongkuan

Independent Non-executive Director

Dai Deming

Independent Non-executive Director

Tsoi, David

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	58	2012.10.25	–	60,000	60,000	–	–	88.92	8.01	96.93	–
Liu Hualong	Executive Director, President,	Male	51	2012.10.25	–	50,000	50,000	–	–	82.25	8.01	90.26	–
Chen Dayang	Executive Director	Male	50	2012.11.12	–	–	–	–	–	80.03	8.01	88.04	–
Zhao Jibin	Independent Non-executive Director	Male	61	2011.04.26	–	30,000	30,000	–	–	14.00	–	14.00	–
Yang Yuzhong	Independent Non-executive Director	Male	69	2011.04.26	–	30,000	30,000	–	–	15.40	–	15.40	–
Chen Yongkuan	Independent Non-executive Director	Male	67	2011.04.26	–	34,100	34,100	–	–	13.60	–	13.60	–
Dai Deming	Independent Non-executive Director	Male	51	2011.04.26	–	30,000	30,000	–	–	14.60	–	14.60	–
Tsoi, David	Independent Non-executive Director	Male	66	2011.04.26	–	50,000	50,000	–	–	12.20	–	12.20	–
Wang Yan	Chairman of Supervisory Committee	Male	58	2011.04.26	–	30,000	30,000	–	–	–	–	–	64.62
Sun Ke	Supervisor	Male	58	2011.04.26	–	–	–	–	–	51.29	8.01	59.30	–
Qiu Wei	Employee Representative Supervisor	Male	54	2011.04.26	–	30,000	30,000	–	–	45.73	8.01	53.74	–
Zhang Jun	Vice President	Male	58	2011.04.26	–	50,000	50,000	–	–	78.25	8.01	86.26	–
Fu Jianguo	Vice President	Male	50	2011.04.26	–	50,000	50,000	–	–	78.25	8.01	86.26	–
Zhan Yanjing	Vice President, Chief Financial Officer	Female	50	2011.04.26	–	50,000	50,000	–	–	78.25	8.01	86.26	–
Wang Jun	Vice President	Male	50	2012.10.25	–	–	–	–	–	32.69	8.01	40.70	–
Lou Qiliang	Vice President	Male	50	2012.10.25	–	–	–	–	–	32.69	8.01	40.70	–
Xu Zongxiang	Vice President	Male	50	2012.10.25	–	–	–	–	–	32.69	8.01	40.70	–
Zhang Xinning	Chief Engineer	Male	49	2012.11.12	–	–	–	–	–	54.02	8.01	62.03	–
Shao Renqiang	Secretary to the Board, Chief Economist	Male	49	2012.11.12	–	30,000	30,000	–	–	54.48	8.01	62.49	–

(II) Major working experience of the current directors, supervisors and senior management for the recent 5 years

Directors

1 **Zheng Changhong**, aged 58, serves as 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 Erqi 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 Vice 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 Research Studentship in Traffic and Transportation Planning and Management 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-grade senior engineer, a member of the World Academy of Productivity Science (世界生產力科學院), a specialist of China Productivity Science Research Centre（中國企業生產力研究中心）a vice chairman of China Enterprise Confederation and China Enterprise Directors Association and a part-time professor of Lanzhou Jiaotong University.

2 **Liu Hualong**, aged 51, serves as an executive Director, president and the Vice Party Secretary of the Company, as well as the Party Secretary of CSRG. Mr. Liu has in-depth knowledge in the business of, 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 has 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 awarded an MBA for senior management by the 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 **Chen Dayang**, aged 50, serves as an executive director, the deputy Party secretary and the secretary of the disciplinary committee of the Company as well as the deputy Party secretary, the secretary of disciplinary committee and chairman of the labour union of CSRG. Mr. Chen possesses substantial management skills and extensive experience in corporate management. Mr. Chen used to serve as the head of the human resource department of China Railway Construction Corporation and the head of the human resource department (division of cadre), the head of the human resource department (division of cadre of the Party Committee) and the assistant to president and the head of the human resource department (division of cadre of the Party Committee) of China Railway Construction Corporation Limited. Since September 2011, he served as the deputy party secretary, the secretary of the disciplinary committee and the head of the work committee of the labour union of the Company (up till October 2012). He has become an executive director of the Company since November 2012. Mr. Chen graduated from Shijiazhuang Railway University majoring in railway engineering. He is a senior engineer.

4 **Zhao Jibin**, aged 61, serves as an independent non-executive Director of the Company. He also serves as the chairman and party secretary of China Tietong Communications Corporation. Mr. Zhao served as the deputy and general head and party secretary of Shenyang Railway Bureau, the head and deputy party secretary of Hohhot Railway Bureau and Zhengzhou Railway Bureau successively, the deputy general manager and member of party group of China Mobile Communications Corporation, and has served as an independent non-executive Director of the Company since December 2007. Mr. Zhao graduated from Southwest Jiaotong University majoring in railway transportation and obtained a master's degree in management in Changchun Institute of Optics and Fine Mechanics. He was a Deputy to the 9th and 10th session of the National People's Congress and a National Model Worker. He is a senior engineer, and a part-time Professor at Beijing Jiaotong University.

5 **Yang Yuzhong**, aged 69, serves as an independent non-executive director of the Company, an external director of China Materials Group Corp., Ltd., an independent non-executive director of Air China Limited and a consultant of China Aviation Industry Corporation. Mr. Yang also served as deputy chief of the China Aviation Research Institute; deputy head of the Science and Technology Bureau and head of the Technology and Quality Supervision Bureau of Aviation Industries of China; administrative deputy general manager and deputy party secretary of China Aviation Industry Corporation I; head of China Aviation Research Institute, chairman of AVICI Commercial Aircraft Co., Ltd. and an independent non-executive director of China Materials Group Corp., Ltd. Since December 2007, he has served as the independent non-executive Director of the Company. Mr. Yang graduated from Beijing Aeronautical and Astronautical Institute majoring in aircraft design and manufacture, and is a professor level senior engineer. Mr. Yang receives a special government subsidy from the State Council.

6 **Chen Yongkuan**, aged 67, serves as an independent non-executive director of the Company and an independent non-executive director of Metallurgical Corporation of China Ltd.. Mr. Chen served as deputy dean and dean of Changsha Communications University; director of the Education Division of the Ministry of Transport, party secretary and vice-president of China Harbour Construction (Group) Company; party secretary and vice chairman of China Communications Construction Group Company Ltd., vice chairman of China Communications Construction Group Company Ltd. and the vice chairman of China Communications Construction Company Ltd. Since December 2007, he has served as an independent non-executive Director of the Company. Mr. Chen graduated from Wuhan Institute of Hydraulic and Electrical Engineering received obtained a master's degree. Mr. Chen is a professor who receives a special government subsidy from the State Council.

7 **Dai Deming**, aged 51, serves as an independent non-executive director of the Company. He is also an external director of Angang Holding (鞍鋼集團公司), an independent non-executive director of Shanxi Taigang Stainless Steel Co., Ltd., professor of the School of Business of Renmin University of China, director of Accounting Financial Theory Institute (會計財務理論研究所), vice-chairman of the China Accounting Institution, and vice secretary-general of the National MPAcc Education and Instruction Commission. Mr. Dai had served as deputy director and director of the Accounting Department of Renmin University of China. Since December 2007, he has served as an independent non-executive Director of the Company. Mr. Dai graduated from Hunan College of Finance & Economics majoring in Industrial Financial Accounting, pursued master's and doctorate studies at Zhongnan University of Economics and Renmin University of China consecutively, and obtained a doctorate degree in Economics. He had conducted post-doctorate research at Hitotsubashi University and is an instructor to doctorate students.

8 **Tsoi David**, aged 66, serves as an independent non-executive director of the Company. He also serves as the director and general manger of Alliott, Tsoi CPA Limited and independent non-executive directors of Melco LottVentures Limited, Enviro Energy International Holdings Limited and Universal Technologies Holdings Limited. Mr. Tsoi has been the Chairman of the Asia-Pacific region of Alliot Group, Chairman of the Association of Chartered Certified Accountants (Hong Kong Division), President of the Society of Chinese Accountants and Auditors, Council Member of the Taxation Institute of Hong Kong and member of the Hong Kong Institute of Certified Public Accountants's Practice Review Committee, Ethics Committee, and Registration and Practising Committee. He was a council member of the Travel Industry Council of Hong Kong, a council member of Guangdong Overseas Friendship Association (廣東省海外聯誼會) and a director of Alliott Tsoi Ha CPA Limited. Since March 2008, he has served as the independent non-executive Director of the Company. Mr. Tsoi is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and Associate Member of the Association of Chartered Certified Accountants in the United Kingdom, the Society of Chinese Accountants and Auditors, the Association of Certified General Accountants of Canada and Fellow Member of the Taxation Institute of Hong Kong. Mr. Tsoi is a member of the Selection Committee for the first Government of the Hong Kong Special Administrative Region. He graduated from the University of East Asia in Macau (the University of Macau) majoring in Business Administration and holds a master's degree in Business Administration. He is a Certified Public Accountant.

Supervisors

1 **Wang Yan**, aged 58, is the chairman of the Company's supervisory committee. He also serves as 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 had 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 58, is a supervisor and the assistant to president. He has served as the chairman of supervisory committee of Times New Material. Mr. Sun has extensive knowledge and experience in operations and management in the Company's specialised industry. 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 Enterprise Directors Association. Mr. Sun is a senior engineer.

3 **Qiu Wei**, aged 54, is an employee supervisor of as well as the deputy director of the Working Committee of Labor Union of the Company. He is also currently the vice 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 of CSRG (南車集團公司辦公室綜合處). He has been the deputy director of the Working Committee of Labor Union of the Company since January 2008. 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. 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.

Senior management

4 **Liu Hualong**, his biography is set out above.

5 **Zhang Jun**, aged 58, is the 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 vice 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 the vice president 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.

6 **Fu Jianguo**, 50, is a vice president 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 Company's specialized industry. Mr. Fu served as the vice director of Tangshan Locomotives Rolling Stock Works (唐山機車車輛廠), director and deputy Party secretary of CSR Shijiazhuang Rolling Stock Works and deputy general manager of CSRG. Since December 2007, he has served as the vice president and a standing member of the Party Committee of the Company. Mr. Fu graduated from Dalian Railway Institute specializing in rolling stock, and obtained his MBA from China Europe International Business School. He obtained the senior professional manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a professor-level senior engineer.

7 **Zhan Yanjing**, aged 50, is the vice president and chief financial office, as well as a standing member of the Party Committee of the Company and a standing member of the Party Committee of CSRG. She is also the chairman of CSR Finance Co., Ltd (南車財務有限公司). 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, general manager assistant and manager of the Financial Planning Department, and then general manager assistant 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 the 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 specializing 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.

1 **Wang Jun**, aged 50, the 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. 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 the vice president and the standing member of the Party Committee of the Company. Mr. Wang graduated from Changsha Railway University (長沙鐵道學院) majoring in thermal dynamic mechanical devices. He was also awarded an MBA degree for senior management in 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 "Hundred Talents Program of the National Yong to Middle-aged Expert with Outstanding Contributions (國家百千萬人才工程、有突出貢獻中青年專家)". He is entitled to a special government subsidy from the State Council.

2 **Lou Qiliang**, aged 50, the 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. 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 Nanjing Puzhen Rolling Stock Works (中國南車集團南京浦鎮車輛廠), as well as the executive director, general manager and deputy Party secretary of CSR Puzhen. Since October 2012, he has served as the 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.

3 **Xu Zongxiang**, aged 50, the 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 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 the 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 was also awarded a doctorate degree of the planning and management of civil engineering and a doctorate degree of engineering by 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.

4 **Zhang Xinning**, aged 49, is the chief engineer of the Company and a director of CSR Ziyang. Mr. Zhang has extensive expertise and experience in technological management n 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. In addition, he obtained the Senior Professional Manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association. 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 levelHe is entitled to a special government subsidy from the State Council.

5 **Shao Renqiang**, aged 49, is the secretary of the Board, the chief economist, the joint company secretary and news spokesperson of the Company. Mr. Shao has extensive financial management and corporate management experience in the Company's specialized industry. Mr. Shao served as the chief accountant of CSR Sifang Locomotive and Rolling Work; a director, chief accountant, deputy general manager and chief accountant of Sifang Locomotive Holding (四方機股份); and head of audit department of CSRG. Since December 2007, he has served as the secretary of the Board, joint company secretary and the news spokesperson of the Company. He has become the chief economist of the Company since October 2012. Mr. Shao graduated from Northern Jiaotong University specializing 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	Duty	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	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	200,000	—	66,667	5.43	133,333	5.01
Liu Hualong	Executive Director, President	170,000	—	56,667	5.43	113,333	5.01
Zhang Jun	Vice President	170,000	—	56,667	5.43	113,333	5.01
Fu Jianguo	Vice President	170,000	—	56,667	5.43	113,333	5.01
Zhan Yanjing	Vice President, Chief Financial Officer	170,000	—	56,667	5.43	113,333	5.01
Wang Jun	Vice President	141,400	—	47,133	5.43	94,267	5.01
Lou Qiliang	Vice President	141,400	—	47,133	5.43	94,267	5.01
Xu Zongxiang	Vice President	141,400	—	47,133	5.43	94,267	5.01
Zhang Xinning	Chief Engineer	150,000	—	50,000	5.43	100,000	5.01
Shao Renqiang	Secretary to the Board of Directors, Chief Economist	150,000	—	50,000	5.43	100,000	5.01
Total		1,604,200	—	534,734	—	1,069,466	—

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

Name	Names of other entities	Position held in other entitiles	Commencement of term of office	Expiration of term of office
Zhao Jibin	China Tietong Communications Corporation;	Chairman, Party Secretary;	October 2003	—
	China Mobile Communications Corporation	Deputy General Manager, Party Member	May 2008	September 2013
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	—
Dai Deming	Renmin University of China;	Professor;	June 1996	—
	China Construction Bank Corporation;	External Supervisor;	June 2007	June 2013
	Shanxi Taigang Stainless Steel Co., Ltd.;	Independent Non-executive Director;	July 2011	—
	Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司),	External Director	December 2012	
Tsoi, David	Melco LottVentures Limited;	Independent Non-executive Director;	October 2001	—
	Alliott, Tsoi CPA Limited;	Director and 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 the Supervisory Committee;	July 2002	—
	CSR Ziyang	Supervisor	May 2006	—
Sun Ke	Times New Material;	Chairman of the Supervisory Committee;	December 2008	—
	Supervisory Committee of State-Owned Enterprises under SASAC	Part-time Supervisor	June 2010	November 2013
Qiu Wei	Supervisory Committee of State-Owned Enterprises under SASAC	Part-time Supervisor	November 2013	—
Zhang Xinning	CSR Ziyang	Director	May 2006	—

Notes:

(1) 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).

(2) 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).

(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 to 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.
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, the total actual remuneration paid to other current Directors, Supervisors and Senior Management was RMB8,593,400 and the total welfare funds including the basic contribution to the Employee Retirement Insurance Scheme paid for them by the Company was RMB1,041,300.

* 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

During the reporting period, there was no change in Directors, Supervisors and senior management 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 into "Middle Aged/Young Expert with Outstanding Contributions for the National Hundred, Thousand and Ten Thousand Talents Project" (國家百千萬人才工程、有突出貢獻中青年專家) and was the only expert in rail transportation equipment industry that was awarded such honour, one employee was selected into first batch of scientific and technological innovation leaders of the national "Ten-thousand-talent Scheme" (萬人計劃), one employee was selected into the scientific and technological innovation leaders of central enterprises and four employees newly obtained "Mao Yisheng Award for Railway Engineer (茅以升鐵道工程師獎)". The Company organised the second session of selection of core talents and interim assessment of the first session of core talents. 19 chief experts, 105 senior experts and 236 experts of CSR were selected from the aspects of technology, management and skills.

VI. STAFF OF THE PARENT COMPANY AND PRINCIPAL SUBSIDIARIES

(I) Staff information

Total number of staff with the parent company	149
Total number of staff with subsidiaries	86,360
Total number of staff	86,509
Number of employees whose retirement expenses are borne by the parent company and the subsidiaries	51,053

By profession

Category of profession	Number of each profession
Production personnel	52,838
Engineering and technical personnel	18,953
Operation and management personnel	11,206
Other personnel	3,512
Total	86,509

By education

Education level	Number (personnel)
Doctors	124
Masters	2,839
University graduates	21,586
Tertiary college graduates	19,767
Secondary school and below	42,193
Total	86,509

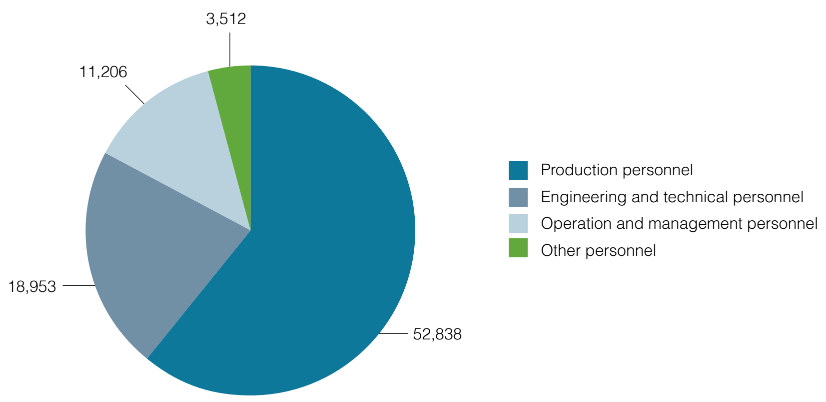
(II) Remuneration policies

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 flexible range of 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, it paid due attention to the sense of competence, achievement and responsibility and demand for personal development of its staff in carrying out their duties.

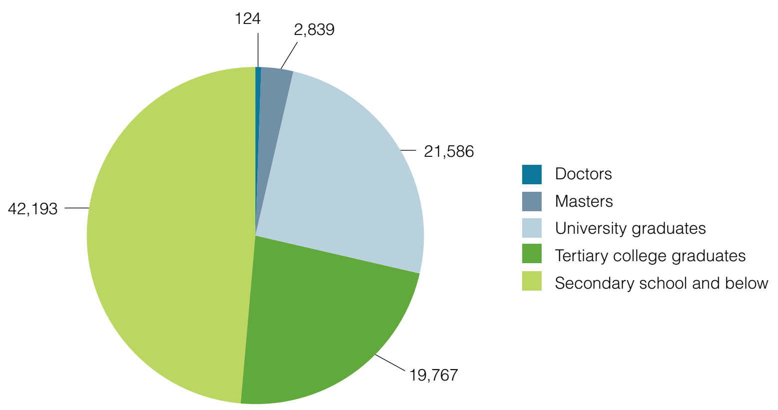
(III) Personnel training

During the reporting period, pursuant to "Key Points on CSR Staff Training 2013", 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 strengthened the implementation of curriculum system, internal trainer system and EL platform project, 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 introduction and 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 focused on organizing and implementing domestic and overseas training programs, such as excellent leadership, internationalized talents, outstanding young talents, core talents, job foreman and so forth, which aimed to cultivate mid-high level managers with global visions and cross-areas skills. During the year, the Company held 24 sessions, with a total of 1,067 personnel trained. In 2013, a total of approximately 201,000 personnel of the Company participated in company-level, subsidiary-level and workshop-level trainings, of which approximately 31,000 were management personnel, approximately 19,000 were professional technologists, while approximately 151,000 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 put forward 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. 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 the 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 enjoy 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

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 intellectual resources 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, Audit and Risk Management Committee, Remuneration and Evaluation Committee and 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 Directors" in "Report of Directors". Each Director was appointed for a term of three years. Upon expiry, such term is renewable upon re-election. In 2013, 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.

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

		Attendance at the Board meetings					Attendance at the general meetings
Name of director	Independent director or not	Required attendance during the year	Attendance in person	Attendance by proxy	Absence	Absence from two consecutive meetings or not	Attendance at the general meetings
Zheng Changhong	No	6	6	—	—	No	1
Liu Hualong	No	6	6	—	—	No	1
Chen Dayang	No	6	6	—	—	No	1
Zhao Jibin	Yes	6	6	—	—	No	0
Yang Yuzhong	Yes	6	6	—	—	No	1
Chen Yongkuan	Yes	6	6	—	—	No	1
Dai Deming	Yes	6	6	—	—	No	1
Tsoi, David	Yes	6	6	—	—	No	1

Number of Board meetings convened during the year		6
Among which:	number of meetings convened on-site	5
	number of meetings convened by means of communication	1
	number of meetings convened in combination of on-site and communication	—

(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 2013, pursuant to the requirements under code provision A.6.5 of the Code, Directors of the Company all participated in the continuous professional development 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 2013 are as follows:

Name of Director	Trainings *(Note)*
Executive Directors	
Zheng Changhong	C,D
Liu Hualong	C,E
Chen Dayang	A,C
Independent Non-executive Directors	
Zhao Jibin	C,E
Yang Yuzhong	D,E
Chen Yongkuan	D,E
Dai Deming	D,E
Tsoi, David	B,D

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

A. 2013 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 relevant laws and regulations such as the Hong Kong Listing Rules organized by the Company

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

(IV) Independent non-executive Directors and their independence

The Board comprises five independent non-executive Directors, representing more than half of the total number of Directors. All members of the Audit and Risk Management Committee and 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 chairmen of the Audit and Risk Management Committee, Nomination Committee, 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 Dai Deming and David Tsoi are accounting professionals.

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, Nomination Committee, Remuneration and Evaluation Committee and Audit and 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. The members of the Strategy Committee were Mr. Zheng Changhong, Mr. Liu Hualong, Mr. Yang Yuzhong and Mr. Zhao Jibin. Mr. Zheng Changhong serves as the chairman of the committee while Mr. Yang Yuzhong 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 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 seven meetings were held, at which the Proposal in Relation to the 2012 Final Accounts of the Company, the Proposal in Relation to the 2012 Profit Distribution Plan of the Company, the Proposal in Relation to the Specific Report on Deposit and Actual Use of Proceeds Raised from A Share Offering of the Company in 2012, the Proposal in Relation to 2012 Social Responsibility Report of the Company, the Proposal in Relation to the Amendments to the Management Measures on Use of Proceeds and the Proposal in Relation to the Adjustment of Organisation of the Company were considered and approved.

During the reporting period, the Strategy Committee held seven meetings. The attendance of each Director is as follows:

Name of Director	Number of attendance/ Number of meeting	Attendance rate
Zheng Changhong	7/7	100%
Yang Yuzhong	7/7	100%
Liu Hualong	7/7	100%
Zhao Jibin	7/7	100%

2. Nomination Committee

The Nomination Committee is a specialised body established under the resolution of the Board. It is composed of five Directors, namely Mr. Zheng Changhong, Mr. Liu Hualong and Mr. Zhao Jibin (independent non-executive Director), Mr. Yang Yuzhong (independent non-executive Director), Mr. Chen Yongkuan (independent non-executive Director), with Mr. Zhao Jibin 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 Nomination Committee strictly complied with requirements of Working Rules for Nomination Committee of the Board and performed its duties independently and objectively. A total of two meetings were held. The sixth meeting of the second session was held on 27 March and the Proposal in Relation to Appointment of Mr. Ding Youjun as Securities Representative of the Company was considered and approved. The seventh meeting of the second session was held on 27 August and the Proposal in Relation to Amendments to Working Rules for the Nomination Committee of the Board was 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 according 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:

Name of Director	Number of attendance/ Number of meeting	Attendance rate
Zhao Jibin	2/2	100%
Zheng Changhong	2/2	100%
Liu Hualong	2/2	100%
Yang Yuzhong	2/2	100%
Chen Yongkuan	2/2	100%

3. Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee is a specialised body established under the resolution of the Board. It is composed of three independent non-executive Directors, namely Mr. Chen Yongkuan, Mr. Dai Deming and Mr. Tsoi, David, with Mr. Chen Yongkuan 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 Remuneration and Evaluation Committee strictly complied with requirements of Working Rules for Remuneration and Evaluation Committee of the Board and performed its duties independently and objectively. A total of one meeting was held. The third 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 2012 and the Proposal in Relation to the Remuneration and Welfare of the Directors and Supervisors of the Company in 2012 were considered and approved.

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

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

A total of nine meetings were held by the Audit and Risk Management Committee, at which the quarterly, half-yearly and annual financial reports of the Company, and the proposals such as Work Plan for the Company's Internal Audit, Internal Control and Risk Management in 2013, Assessment Report on Internal Control of the Company in 2012, Reporting of the 2012 Financial Accounting Statements were considered and approved. In addition, the committee performed the following functions: (1) to supervise and review the policies and practices of the Company on compliance with legal requirements; and (2) to inspect, superintend and assess the Company's governance and approve the Assessment Report on Internal Control as required under the Rules Governing the Listing of Stocks of the Shanghai Stock Exchange.

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, which specifies that all members of the Audit and Risk Management Committee shall be independent non-executive Directors. The Audit and Risk Management Committee of the second session of the Board was officially established on 26 April 2011, which was served by three independent non-executive Directors, namely, Dai Deming, Yang Yuzhong and Tsoi, David, among which Mr. Dai Deming is an accounting professional and Mr. Tsoi, David is a Certified Public Accountant. Mr. Dai Deming 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, Working Rules for Audit and Risk Management Committee of the Board and 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 nine 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 2013, Report on the Financial and Accounting Statement of the Company in 2012, Guarantee Arrangement of the Company and its Subsidiaries in 2013, Credit Line of the Company in 2013, Relevant Matters on A Share Connected Transactions of the Company in 2013, H Share Non-exempt Continuing Connected Transaction of the Company in 2012, Relevant Matters on Auditor's Report on Use of Proceeds of the Company in 2012, Relevant Matters on Assessment Report of Internal Control of the Company in 2012 and Re-appointment of 2013 Accounting Firm and Determination of its Remuneration.

(2) 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 representatives of 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.

(3) 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.

(4) Reviewing the Company's financial information and disclosure thereof. The Audit and Risk Management Committee examined and studied in multiple occasions the financial information disclosed in the Company's reports and financial statements, and carefully reviewed proposals regarding financial statements.

(5) Supervising and giving 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, phone calls 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 audit department, gave guidance and lay down requirements for carrying out internal audit.

(6) Reviewing the Company's implementation of internal control and risks 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.

(7) 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 Hong Kong and CSR Erqi.

(8) Issuing review opinions on 2012 annual financial report of the Company and its relevant internal control and audit reports. The Audit and Risk Management Committee issued its review opinions on the annual financial report of the Company and its relevant internal control and audit reports twice pursuant to the relevant requirements of CSRC: (1) the Audit and Risk Management Committee issued a written opinion on the unaudited financial report and its relevant internal control and audit reports, and (2) after the auditors for annual audit issued preliminary audit opinion, the Audit and Risk Management Committee reviewed again the financial report of the Company and its relevant internal control and audit reports, and issued a written opinion, agreeing to submit the audited 2012 financial report of the Company and its relevant internal control and audit reports to the Board of the Company for consideration.

During the reporting period, the Audit and Risk Management Committee held nine meetings in total. The attendance of each Director is as follows:

Name of Director	Number of attendance/ Number of meeting	Attendance rate
Dai Deming	9/9	100%
Yang Yuzhong	9/9	100%
Tsoi, David	9/9	100%

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 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 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 meetings 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 2013, 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 Measures of International Cooperation and Measures of External Investment in 2013 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

Ernst & Young Hua Ming 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.

During the reporting period, the Company had no significant errors in the disclosure of annual report of the Company.

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.

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 2013, 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 2013.

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 2013, 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

The Company has engaged Ernst & Young and Ernst & Young Hua Ming LLP as its international and domestic auditors respectively since its establishment. During the reporting period, the Company made no change in this respect, and continued to engage Ernst & Young Hua Ming and Ernst & Young as its domestic and international audit firms respectively for the audit of its 2013 annual financial report.

In 2013, the Company had paid Ernst & Young and Ernst & Young Hua Ming LLP an aggregate fee of RMB11.00 million, which included advance payments such as business trip costs and communication costs etc. In particular, the audit fees paid to Ernst & Young and Ernst & Young Hua Ming LLP in respect of financial statements and internal control amounted to RMB9.80 million and RMB1.20 million, respectively. In 2013, the Company also paid them RMB2.45 million for agreed-upon procedures. Apart from the above, the Company had not engaged Ernst & Young or Ernst & Young Hua Ming LLP for any major non-auditing service.

Certain subsidiaries of the Company engaged Ernst & Young Hua Ming LLP as their auditors for their respective financial report of 2013 and paid a total of RMB3.98 million as auditors' remuneration.

Investor Relations

In 2013, the Company actively carried out activities relating to investor relations and strengthened the information delivery as well as exchange and interaction with domestic and foreign investors, effectively facilitating the investors' recognition on the Company's value.

In 2013, the Company took the initiative to extensively contact investors and shareholders to form an interactive effect with capital market for building a good corporate image. The Company conducted positive, frank and direct communication with investors and potential investors via results conference, reverse roadshows and the annual general meeting. In April, the management of the Company held international roadshow for its annual results. Roadshows were divided into two teams, of which, one team was led by Mr. Zheng Changhong, the chairman, to Hong Kong, Singapore, Dubai, United Kingdom and Germany, visiting nearly 30 institutional investors, and the other team was led by Mr. Fu Jianguo, vice president, to Hong Kong and the United States, with five one-to-one and one one-to-many investor meetings held in Hong Kong and eleven one-to-one and two one-to-many investor meetings held in the U.S., visiting and receiving a total of 32 investment institutions. In May, the Company held the 2012 annual general meeting in Beijing. The Directors and management had good communication and exchange with investors with small to medium sized investment and listened to their opinions and suggestions on the Company's development. In September, an interim report roadshow was held in Beijing and led by the Secretary to the Board with sufficient communication and idea exchanges with a large number of institutional investors. In October, the Company held reverse roadshows in Qingdao and Zhuzhou, attracting 75 analysts and investors' participation. Through the roadshows proactively held, the Company understood the capital markets' and investors' concerns over the Company's development, while enhancing investors' understanding of and confidence in the Company's future development.

Through various means such as investment seminar, interaction with train fans, company visiting, teleconference and so forth, the Company had multifaceted communication with capital market. The Company attended eight domestic and foreign institutional investor forums, held nearly 35 one-to-one and one-to-many meetings. In March, the Company held the event CSR Visit for Fans. More than 60 fans and netizens as well as reporters from People's Railway Daily, China Securities Journal and Yangtze Evening Post, as well as reporters from well-known websites, visited CSR Puzhen for understanding of the manufacture process of specialized rail transportation brake system and inter-city MU as well as rapid transit vehicles. Meanwhile, the Company had multi-channel and multi-levelled communications with investors via headquarters visiting, emails, phone calls, inspection and research on subsidiaries. In 2013, a total of 200 institutions at home and abroad raised their intention of inspection and research to the Company and over 60 investor groups visited the headquarters of the Company; besides, the Company organised 12 telephone conferences, arranged 15 investor groups to visit its subsidiaries, and had a total of approximately 1,000 person-time communications with investors, analysts and fund managers.

In compliance with the Company Law, the Securities Law, the Working Guidelines on Investor Relations of Listed Companies and other relevant regulations and requirements, and in accordance with the actual situation of the Company, the Company continued to optimise relevant process system, refined and improved Management Measures on Information Disclosure, hence facilitating smoothness of information communication in the investor relations management of the Company.

The Company continuously improved the level of investor relations management from details of all aspects of management. In order to make consulting hotlines for investors be answered timely, the Company set up A and B corners particularly for answering investors' phone calls to ensure that at least one staff can answer the phone in a timely manner. Meanwhile, they are requested to strengthen the collection and understanding of information on the Company's business and the industry to ensure effective answers to questions raised by investors. In 2013, the Company refined and improved the Company's website, optimized the investor relations column and also added the "Feedback" section to establish a platform for communication with investors. According to the different situation of investors of the A share market and the H share market, the Company has made targeted maintenance of good investor relations.

As at 31 December 2013, the market value of the Company amounted to RMB69,133 million.

Part of the awards granted to CSR in 2013 are as follows:

Time	Award	Presenter
January 2013	"China Creativity Technology Award" (「中國創造力技術」大獎)	"High Level Strategy Seminar on Discovering China Creativity and 2012 China Creativity Award Ceremony" (發現中國創造力高層戰略研討會暨2012中國創造力年度盛典) organised by media under the Xinhua News Agency
January 2013	"Most Responsible Enterprise in China in 2012" (2012最具責任感企業)	The Eighth "International Forum of Corporate Social Responsibility in China" (第八屆「中國 • 企業社會責任國際論壇」) organized by China News Service and China Newsweek
May 2013	"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 and supported by the listed companies association of various provinces and cities
May 2013	Five Star Enterprise Brand	The First Anniversary for publicity and implementation of two national standards, "After-sale Service" and "Brand Evaluation" promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC and Standardization Administration of the PRC
June 2013	"2013 Most Innovative Enterprise in China" (2013年中國最具創新力企業)	"Fifth Innovation Activity Day of Enterprises in China and 2013 Innovation Forum for Enterprises in China" (第五屆中國企業創新活動日暨2013中國企業創新論壇) organised by the Chinese Association of Productivity Science and hosted by Innovation Promoting Committee
June 2013	"Golden Bee Corporate Social Responsibility-Leader Enterprise in 2012" (2012金蜜蜂企業社會責任領袖型企業大獎)	"Golden Bee Corporate Social Responsibility - Chinese Chart" organised by WTO Guide run by the Ministry of Commerce
June 2013	Acclaimed to be the 53rd among the 500 most valuable brand name in China in 2013 and ranked first in machinery industry	Organized by the World Brand Lab
July 2013	2012 LACP (League of American Communications Professionals) Vision Awards — Silver Award for Annual Report (「遠見獎」年度年報銀獎)	Organised and elected by League of American Communications Professionals, world-known institution of marketing research
October 2013	Won four awards in the 27th ARC Annual Report Awards, such as Gold Award for Traditional Annual Report (Manufacturer), Silver Award for Financial Data (Manufacturer-Locomotive & Rolling Stock)y, Bronze Award for Photos (Manufacturer-Locomotive & Rolling Stock) and Honors for Cover Design (Manufacturer)	Organised by MerComm, Inc in the United States
November 2013	Golden Tripod Award (金鼎獎)	Organised by Ninth Annual Conference of the Securities Market in China (第九屆中國證券市場年會) and China Securities Journal
November 2013	Top Ten Best Practice of Human Resources Management in the PRC in 2013 (2013「中國人力資源管理十大最佳實踐獎」)	Organized by 2013 China Annual Conference for Human Resources Management, School of Business of Renmin University of China, EQUIS International Certification System Institution, the Association to Advance Collegiate School of Business (國際高等商學院協會) and Chinese Human Resource Theory and Practice Association (中國人力資源理論與實踐聯盟)
December 2013	One of the "Top 100 Hong Kong Listed Companies" and ranked 87th among "Top 100 - Comprehensive Strength" in 2013	Organized by Tencent and Finet
December 2013	"Hong Kong Corporate Governance Excellence Award 2013" (2013香港上市公司管治卓越獎)	Jointly set up and elected by the Chamber of Hong Kong Listed Companies (香港上市公司商會) and many other institutions

Fulfilling Social Responsibilities

In 2013, 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 strived 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 harmonious development of the Company with the society. It was also honoured as "Golden Bee – Leader Enterprise" (金蜜蜂·領袖型企業) in the award ceremony of the Eight International Forum of Corporate Social Responsibility in China and "Golden Bee Corporate Social Responsibility – Chinese Chart" (第八屆中國企業社會責任國際論壇暨「金蜜蜂企業社會責任·中國榜」), and was the only rolling stock enterprise in the chart.

DEVELOPMENT STRATEGY AND SOCIAL RESPONSIBILITY MANAGEMENT

To fulfil 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 possess first-class technology, produce first-class products, nurture top notch staff and provide the most valuable green products to its users, so as to develop the enterprise into an industry pioneer with the best social responsibilities and the world's best enterprise with global competitiveness.

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

Our products have continuously broken speed records of rolling stock equipment in China as well as around the world. Responsibility, hand in hand with speed. We were dedicated to provide safe, comfortable and environmental-friendly products to the society, and we ensured our products possess speed with responsibility.

Our development has always been closely tied with the understanding and support of interested parties. Responsibility, hand in hand with speed. We were willing to share the benefits of our high-speed development with interested parties, resulting in a win-win situation which all parties could benefit from.

We promote the development of the rolling stock industry in China and around the world. Responsibility, hand in hand with speed. We 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 paying respect 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 for its sustainable development.

The Company continuously refines its corporate governance structure and has established a comprehensive internal control and risk management mechanism gradually improving the various functions of the Company. The general meeting, the Board, the Supervisory Committee and the management team have performed their duties respectively together proceduralize the Company's operation 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 9th Gold Round Table Prize of the Boards of Listed Companies (第九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 and has been consecutively named as one of the "Top 100 Hong Kong Listed Companies" for two years. In addition, it was awarded the Golden Tripod Award (金鼎獎) at the Ninth Annual Conference of the Securities Market in China (第九屆中國證券市場年會) and the "Hong Kong Listed Companies Corporate Governance Excellence Award" 2013 (2013香港上市公司管治卓越獎).

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 was dedicated to improve management quality, continually improve the Company's performance, and create 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 optimizes and innovates new platforms. In 2013, it established the Research Institute (中央研究院) which brings together technological and management resources to facilitate new growth of CSR. In the meantime, it continues to refine the three technological platforms and establish a comprehensive technological and innovation system. In 2013, the ''Technological Innovation Project of Developing Three Technology Platforms for Rolling Stock of CSR'' (中國南車軌道交通裝備三大技術平台建設技術創新工程) was awarded the Second Prize of National Science and Technology Advancement Award at the National Science and Technology Award Ceremony (國家科學技術獎勵大會) . In 2013, the Company had 17 projects granted the Science and Technology Award of China Railway Society (中國鐵道學會科學技術獎), among which two projects namely the ''Research and Manufacturing of CRH380A New High-speed MU'' and ''Key Technology and Application of High-powered Alternating Current Six-axis Electric Locomotives'' (大功率交流傳動六軸電力機車平台關鍵技術及應用) were awarded the special prizes. The world's first energy-storing light rail vehicle which was self-invented was awarded the Gold Prize of ''China Red Star Award for Innovative Products in 2013'' (2013中國創新設計紅星獎).

Combining the development of the "three technology platforms", 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 was carried out thoroughly in the process of management enhancement. Efforts were contributed to upgrade lean production into lean management based on the construction of simulated lines. With an aim to establish a lean management system with CSR characteristics, the Company had developed an innovative operating management structure, i.e. the "6621" platform. It has sought to conduct quality risk management in an in-depth manner, and foster the development of the information system of quality management, thereby refined the quality and safety risk management mechanism covering are as such as "danger identification, risk analysis, risk evaluation and risk control''. 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 insists 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, under the guideline of streamlining and safety, the Company develops workstations which are streamlined and safe and uses it as a breakthrough to integrate safe production and streamlined management organically, so as to fulfill safety targets in terms of zero fatality, zero serious injury and zero additional occupational disease, and to meet the quality benchmarks of all safety endeavors across all levels. It organized and commenced four remedial activities for lifting machinery, fire safety, road transportation as well as elevators and electric facilities of the workplace, which enhanced the safety of the equipment itself. It founded an self-managed mechanism for its staff and establish a contingency mechanism which refined all types of contingency plans. In the 4.20 Ya'an Earthquake, the subsidiaries of the Company in Sichuan initiated their contingency plans in time, resulting in zero injury and casualty. The mood of the staff and their spouses were stable, the production and operation were in order and all sorts of follow-up tasks were commenced in an orderly manner.

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.

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 energy-storing light-rail vehicles, 100% low-floor trams, maglev trains, permanent magnetic motors and IGBT are representative products. In the First National Energy Saving Competition of Public Transport in 2013 (2013年全國首屆公交車節能大賽), the hybrid electric urban public vehicles researched and manufactured by the Company were awarded the gold prize. At present, the hybrid electric urban public vehicles have commenced operation in bulk at Kunming and Changsha, with close to 300 vehicles being put into operation in the market.

The Company proactively promoted clean production, thus carried forward the ''simultaneous planning, simultaneous promotion, simultaneous development and simultaneous improvement'' in terms of production and operation as well as energy saving and emission reduction. In 2013, the Company earmarked specific funding to guide and support its subsidiaries in the commencement of technical overhaul for energy saving and emission reduction, and promoted a sustainable development mode featuring restructuring, transformation and stable growth. Throughout the year, energy saved was equivalent to 134,500 tonnes of standard coal. No material violations of the rules and incidents of environmental protection have occurred. The Company was awarded the "China May 1st Labour Prize" (全國五一勞動獎狀) in the Competition of Meeting the Targets of Energy Saving and Emission Reduction for Key Industries (重點行業節能減排達標競賽活動) and ''Award of Ten Application Technologies'' (十大應用技術獎) of the Fourth Energy Saving Promotion Ceremony in China.

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. In 2013, the Company had been honoured as the ''Advanced Unit of Career Management Team in China'' (全國職業經理人隊伍建設先進單位) and ''Top Ten Best Practices of Human Resources Management in China'' (中國人力資源管理十大最佳實踐獎).

The Company also attaches importance to staff training and career planning. Leveraging the CSR University and external professional institutions, it practically pushed forward the trainings for all types of talented personnel, and projects focusing on outstanding leadership, internationalization of talented personnel and presentation trainings were effectively implemented. Throughout the year, the total number of trained staff reached more than 200,000. In the Sino-US International CNC Machine Tool Skills Competition (中美國際數控機床技能大賽), the representatives of the Company ranked second in terms of total group scores and won the gold prize. In the Technical Skills Competition for Financial Accountants of State-owned Enterprises (中央企業財會人員技能大賽), the candidates of the Company won numerous awards. In 2013, 360 key talented personnel were selected and praised with the successful implementation of "10,000 Key Talented Personnel Project" (萬名核心人才工程).

In 2013, the Company won the ''National 5.1 Labor Award'' (全國五一勞動獎狀) and 3 staff won the "National 5.1 Labor Medals". It organized and named the first 26 "CSR Innovation Workshops of Labor Role Model" (中國南車勞模創新工作室), among which the workshop of Zhang Zhong was appraised as ''Workshop of National Technical Master'' (國家級技能大師工作室), which became prominent in the society.

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 2013, Fang Junming, a staff of the Company, was honoured as ''CCTV Persons of Year 2013 of Moving China'' (CCTV2013年度感動中國人物). 29 years ago, Fang Junming saved a child from 'drowning' by jumping into the water, during which his head hit the cement platform under the water. As his upper body suffered from paraplegia, he became handicapped. A reporter of Gmw.cn (光明網) once asked Fang Junming in an interview, ''Is it worthwhile to sacrifice one's life for a good deed?''. Fang Junming gave a confirmative answer. Though the Changjiang subsidiary where Fang Junming worked at has undergone several transitions, it still provided the relief and support on economic and spiritual terms for his brave actions. His positive, optimistic and generous attitude had deeply moved CSR staff and the society.

In 2014, 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 that is well respected. 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	2,263,000,000	16.39	-600,896,300	1,662,103,700	12.04
	1. State-owned legal person shares	1,944,614,700	14.09	-282,511,000	1,662,103,700	12.04
	2. Other domestic shares	318,385,300	2.30	-318,385,300	—	—
	Of which: domestic non-state-owned legal person shares	318,385,300	2.30	-318,385,300	—	—
II.	Shares not subject to trading moratorium	11,540,000,000	83.61	+600,896,300	12,140,896,300	87.96
	1. Ordinary shares denominated in RMB	9,516,000,000	68.94	+600,896,300	10,116,896,300	73.29
	2. Overseas listed foreign shares	2,024,000,000	14.67	—	2,024,000,000	14.67
III.	Total number of shares	13,803,000,000	100.00	—	13,803,000,000	100.00

(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
	78,475,300	78,475,300	—	—	Non-public issue of A shares	15 March 2013
CSRG	1,362,103,700	—	—	1,362,103,700	Non-public issue of A shares	15 March 2015
E Fund Management Co., Ltd. (易方達基金管理有限公司)	107,623,300	107,623,300	—	—	Non-public issue of A shares	15 March 2013
Penghua Fund Management Co., Ltd. (鵬華基金管理有限公司)	71,748,800	71,748,800	—	—	Non-public issue of A shares	15 March 2013
Anhui Investment Group Holdings Co., Ltd. (安徽省投資集團控股有限公司)	69,506,700	69,506,700	—	—	Non-public issue of A shares	15 March 2013
China Railway Materials Company Limited (中國鐵路物資股份有限公司)	67,264,500	67,264,500	—	—	Non-public issue of A shares	15 March 2013
Harvest Fund Management Co., Ltd. (嘉實基金管理有限公司)	67,264,500	67,264,500	—	—	Non-public issue of A shares	15 March 2013
China National Machinery Industry Corporation (中國機械工業集團有限公司)	67,264,500	67,264,500	—	—	Non-public issue of A shares	15 March 2013
AE-GON-INDUSTRIAL Fund Management Co., Ltd. (興業全球基金管理有限公司)	38,116,500	38,116,500	—	—	Non-public issue of A shares	15 March 2013
China Merchants Fund Management Co., Ltd. (招商基金管理有限公司)	33,632,200	33,632,200	—	—	Non-public issue of A shares	15 March 2013
Total	2,263,000,000	600,896,300	—	1,662,103,700		

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	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) Changes in total shares, shareholding structure and assets and liabilities structure of the Company

N/A.

(III) Existing internal employee shares

N/A.

III. PARTICULARS OF SHAREHOLDERS AND ULTIMATE CONTROLLER

(I) The number of shareholders and their shareholdings

1. Total number of shareholders

As at the end of the year 2013, the Company had 251,234 shareholders in total, including 248,701 holders of A Shares and 2,533 registered holders of H Shares.

On 24 March 2014, the Company had 255,874 shareholders in total, including 253,364 holders of A Shares and 2,510 registered holders of H Shares.

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	5,634,057	1,362,103,700	Nil
HKSCC NOMINEES LIMITED	Overseas legal person	14.62	2,017,471,839	24,000	—	Unknown
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)	State-owned legal person	2.39	330,528,876	-47,946,424	300,000,000	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	0.92	126,915,415	-10,800,758	—	Unknown
CSR Capital Company	State-owned legal person	0.67	93,085,715	—	—	Nil
Huaxia Life Insurance Co., Limited - Universal Insurance Product (華夏人壽保險股份有限公司-萬能保險產品)	Other	0.62	84,921,578	84,921,578	—	Unknown
China Life Insurance Company Limited - bonus - bonus for individual-005L-FH002Hu (中國人壽保險股份有限公司 -分紅-個人分紅-005L-FH002滬)	Other	0.57	79,358,836	50,805,169	—	Unknown
Anhui Investment Group Holdings Co., Ltd. (安徽省投資集團控股有限公司)	State-owned legal person	0.50	69,506,700	—	—	Unknown
Xingya Group Holdings Co., Ltd. (興亞集團控股有限公司)	Other	0.50	69,264,967	69,264,967	—	Unknown
Agricultural Bank of China - Jingshun Changcheng Domestic Demand Growth Stock II Securities Investment Fund (中國農業銀行-景順長城內需增長貳號股票型證券投資基金)	Other	0.49	67,217,048	67,217,048	—	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	2,017,471,839	Overseas listed foreign shares	2,017,471,839
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)	126,915,415	Ordinary shares denominated in RMB	126,915,415
CSR Capital Company	93,085,715	Ordinary shares denominated in RMB	93,085,715
Huaxia Life Insurance Co., Limited - Universal Insurance Product (華夏人壽保險股份有限公司-萬能保險產品)	84,921,578	Ordinary shares denominated in RMB	84,921,578
China Life Insurance Company Limited - bonus - bonus for individual-005L-FH002Hu (中國人壽保險股份有限公司 -分紅-個人分紅-005L-FH002滬)	79,358,836	Ordinary shares denominated in RMB	79,358,836
Anhui Province Investment Group Co., Ltd. (安徽省投資集團控股有限公司)	69,506,700	Ordinary shares denominated in RMB	69,506,700
Xingya Group Holdings Co., Ltd. (興亞集團控股有限公司)	69,264,967	Ordinary shares denominated in RMB	69,264,967
Agricultural Bank of China - Jingshun Changcheng Domestic Demand Growth Stock II Securities Investment Fund (中國農業銀行-景順長城內需增長貳號股票型證券投資基金)	67,217,048	Ordinary shares denominated in RMB	67,217,048
Agricultural Bank of China - Jingshun Changcheng Domestic Demand Growth Open Securities Investment Fund (中國農業銀行-景順長城內需增長開放式證券投資基金)	63,860,371	Ordinary shares denominated in RMB	63,860,371

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.

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

Unit: share

No.	Name of holders of shares subject to trading moratorium	Number of shares subject to trading moratorium held	Release of trading moratorium: Release date of the trading moratorium	Release of 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
2.	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	18 August 2014	300,000,000	Implementation Measures on the Transfer of Certain State-owned Shares in Domestic Stock Market for Replenishing National Social Security Fund

Connections or parties acting in concert among the aforesaid shareholders	There are no connections among the shareholders above, nor any parties acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies.

(II) Strategic investors or ordinary legal persons who became top ten shareholders due to placement of new shares

Names of strategic investors or ordinary legal persons	Starting date of agreed shareholding	Expiration date of agreed shareholding
Anhui Investment Group Holdings Co., Ltd. (安徽省投資集團控股有限公司)	15 March 2012	14 March 2013

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

1. As at 31 December 2013, 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
Zhao Jibin	Independent non-executive Director	16 August 2011	A Shares	30,000
Yang Yuzhong	Independent non-executive Director	12 August 2011	A Shares	30,000
Chen Yongkuan	Independent non-executive Director	12 August 2011	A Shares	34,100
Dai Deming	Independent non-executive Director	17 August 2011	A Shares	30,000
Tsoi, David	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 2013, 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.

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

As at 31 December 2013, 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
Karr Robert A.	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	179,882,794	8.89	1.30
Joho Partners L.P.	Beneficial owner	H Shares	Long position	160,759,580	7.94	1.16
JPMorgan Chase & Co	Beneficial owner/Investment manager/ Custodian-corporation/ Approved lending agent	H Shares	Long position	142,316,076	7.03	1.03
	Beneficial owner	H Shares	Short Position	2,694,494	0.13	0.02
	Custodian-corporation/ Approved Lending agent	H Shares	Lending Pool	114,286,219	5.64	0.83
The Capital Group Companies, Inc.	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	140,368,000	6.94	1.02
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	108,477,298	5.36	0.79
	Interest of corporation controlled by the substantial shareholder	H Shares	Short position	2,033,000	0.10	0.01
Schroders Plc	Investment manager	H Shares	Long position	104,466,165	5.16	0.76
Plowden Charles	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	101,793,000	5.03	0.74

Notes:

(1) CSRG holds 93,085,715 A shares of the Company through its wholly-owned subsidiary, CSR Capital Company.

(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.

Save as disclosed above, as far as the Directors are aware, as at 31 December 2013, 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

Currency: RMB

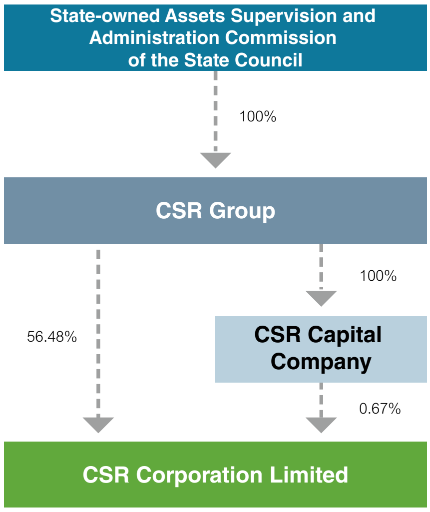
Name	CSRG
Legal representative	Zheng Changhong
Establishment date	2 July 2002
Organisation code:	710929922
Registered capital	9,261,822,000
Principal operations:	Design, manufacture and repair of rail vehicles, rapid transit vehicles, electrical and mechanical equipment and components, electronic and 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.
Operating results:	In 2012, CSRG recorded revenue of RMB92,600 million with the net profit RMB4,700 million.
Financial position:	On 31 December 2012, the total asset of CSRG Group amounted to RMB111,200 million. Its total liability amounted to RMB72,100 million and its net assets amounted to RMB39,100 million.
Cash flow and future development strategy:	In 2012, cash flow from operating activities of CSRG Group amounted to RMB2,600 million; cash flow from investing activities amounted to RMB-4,600 million; and cash flow from financing activities amounted to RMB-9,000 million. CSRG Group will take its duties as contributors seriously and perform well in its equity management and asset management.
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).

Note: The data of CSRG Group in 2013 were unaudited, therefore, audited data of operating results, financial positions and cash flow of the company in 2012 were adopted.

(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 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 2013, 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.

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

Please refer to Note 39 to the financial statements prepared under IFRS in this annual report for details of the Company's asset acquisitions.

(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

Please refer to Note 39 to the financial statements prepared under IFRS in this annual report for details of the Company's enterprises merger.

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.

The Share Option Scheme was approved and adopted by the general meeting of the Company held on 26 April 2011. 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 validity period of the share options under the Share Option Scheme shall be a term of 7 years commencing from the grant date and subject to a lock-up period of 24 months commencing from the grant date. Upon expiry of the lock-up period, the granted share options shall be exercisable in three separate batches. 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. For details in relation to the ineffectiveness and cancellation of share options, please refer to the related announcement of the Company dated 27 April 2013, published on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the websites of SSE and the Hong Kong Stock Exchange.

The second batch of share options will be exercisable from 27 April 2014 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.

Implementation of the Share Option Incentive Scheme and Its Effects are as follows:

Unit: Share Currency: RMB

Incentive method	Share options
Source of subject shares	Issue of A shares to the participants
Closing price of the A Shares on the trading day immediately preceding the grant date of the share options	RMB7.22/share
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 but outstanding equity at the beginning of the reporting period on cumulative basis	36,605,000
Total granted equity during the reporting period	0
Total exercised equity during the reporting period	0
Total cancelled equity during the reporting period	12,201,667
Total granted but outstanding equity at the end of the reporting period on cumulative basis	24,403,333
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 interest at the beginning of the reporting period	Number of granted interest during the reporting period	Number of exercised interest during the reporting period	Number of canceled interest during the reporting period	Number of outstanding interest at the end of the reporting period
Zheng Changhong	Chairman, Executive Director	200,000	0	0	66,667	133,333
Liu Hualong	Executive Director, President	170,000	0	0	56,667	113,333
Zhang Jun	Vice President	170,000	0	0	56,667	113,333
Fu Jianguo	Vice President	170,000	0	0	56,667	113,333
Zhan Yanjing	Vice President, Chief Financial Officer	170,000	0	0	56,667	113,333
Wang Jun	Vice President	141,400	0	0	47,133	94,267
Lou Qiliang	Vice President	141,400	0	0	47,133	94,267
Xu Zongxiang	Vice President	141,400	0	0	47,133	94,267
Zhang Xinning	Chief Engineer	150,000	0	0	50,000	100,000
Shao Renqiang	Secretary to the Board, Chief Economist	150,000	0	0	50,000	100,000
Subtotal		1,604,200	0	0	534,734	1,069,466
Subtotal of other participants		35,000,800	0	0	11,666,933	23,333,867
Total		36,605,000	0	0	12,201,667	24,403,333

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 first batch of exercisable share options did not become effective in 2013, the Company reversed the first batch of exercisable share options of RMB40,469,270 recognised in previous years. In the meantime, it recognised the second and third batches of share option of RMB29,611,630. 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

1. Trust

The Company did not enter into any material trust arrangement during the year.

2. Contract

The Company did not act as a contractor in any material contract during the year.

3. Lease arrangement

The Company did not have any material lease arrangement during the year.

(II) Guarantees

Unit: RMB'000

Guarantees provided by the Company to external parties (excluding guarantees provided by the Company in favour of its subsidiaries)	
Total guarantee amount provided during the reporting period (excluding guarantees provided by the Company in favour of its subsidiaries)	—
Total guarantee balance at the end of the reporting period (A) (excluding guarantees provided by the Company in favour of its subsidiaries)	—
Guarantees provided by the Company in favour of its subsidiaries	
Total guarantee amount provided to the Company's subsidiaries during the reporting period	9,527,524
Total guarantee balance provided to the Company's subsidiaries at the end of the reporting period *(B)*	9,821,161
Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries)	
Total guarantee amount (A+B)	9,821,161
Percentage of total guarantee amount to net assets of the Company *(%)*	26.86
including:	
Provision of guarantee to shareholders, ultimate controller and their respective connected persons *(C)*	—
Amount of guarantees directly or indirectly provided in favour of parties with gearing ratio over 70% *(D)*	6,818,942
The total amount of guarantees provided which exceeds 50% of the net asset *(E)*	—
Total amount of the three above-stated guarantees *(C+D+E)*	6,818,942

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.

The Company saw increase in its guarantee business during the period, due to growth in businesses such as letters of guarantee, letters of credit, and bank acceptance drafts and during the reporting period issued by the read office in favour of its subsidiaries utilizing the head office's centralized credit line. During the reporting period, total guarantee amount provided by the Company in favour of its subsidiaries was RMB9,528 million. As at 31 December 2013, total guarantee balance was RMB9,821 million, representing 26.86% of the Company's net assets. Out of such guarantee balance, RMB6,965 million and RMB2,856 million were provided to the Company's wholly-owned subsidiaries and non wholly-owned subsidiaries respectively. As far as guarantee type is concerned, RMB7,844 million was provided by way of bank acceptance drafts, RMB676 million was provided by way of letters of guarantee and letters of credit, and RMB1,301 million was provided by way of loan guarantee.

As at the end of the reporting period, the Company did not provide any guarantees in favour of its 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 RMB6,819 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 12 January, 5 February, 28 May, 9 July, 11 September, 22 October, and 24 December 2013 published on the websites of the SSE and the Hong Kong Stock Exchange.

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

1. 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.

2. 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; and 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: at the beginning of 2008, CSRG restructured the assets of South Huiton substantially. The shares of South Huiton had been suspended since 15 January 2008, during which CSRG, Guizhou Province Materials Group Co., Ltd. (貴州省物資集團有限責任公司) and South Huiton entered into a Restructuring Framework Agreement. However, the reporting and approval matters of the proposed acquisition of assets in relation to the restructuring were not approved. In accordance with the actual situation at the time and after careful evaluation, all parties to the framework agreement considered that the restructuring could not progress further in the near future. Pursuant to relevant requirements, the shares of South Huiton have resumed trading since 1 September 2008.

In December 2012, South Huitong issued an announcement that CSGR was planning to restructure its material assets. Its shares began to suspend on 26 December 2012. On 18 March 2013, South Huitong announced resumption of trading because the counterparty of the material restructuring cannot reach an agreement regarding asset injection with the relevant interest parties within the specified time in compliance with the relevant rules.

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

3. 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.

   As at 31 December 2013, the Company has not yet obtained proper property ownership certificates for CSR Chengdu's 93 properties with a total gross floor area of approximately 55,180.49 square meters. During the reporting period, CSRG complied with its undertakings as stated above.

4. 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.

   (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.

   (3) On 29 August 2012, CSRG, the controlling shareholder of the Company, planned to increase its shareholding in the Company and proposes to increase its shareholding in the Company, either in its own name or through parties acting in concert with it, via the trading system of the SSE within the next 12 months by up to an aggregated number not exceeding 2% of the total issued share capital of the Company. CSRG undertook that it will not decrease its shareholding in the Company during the period of the implementation of the plan in further increase of shareholding and within the statutory period. On 28 August 2013, CSRG's plan to increase shareholding was completed.

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

   In respect of undertakings not yet fulfilled by shareholders of the Company, the Company issued the Announcement on Unfulfilled Undertakings of CSR. For details, please refer to the announcement dated 15 February 2014 published on the website of SSE and the Hong Kong Stock Exchange.

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 condemnation by any stock exchanges.

VIII. NOTES ON OTHER MATERIAL EVENTS

(I) Increase of shareholding by the controlling shareholder

On 29 August 2012, CSRG planned to increase its shareholding in the Company and proposes to increase its shareholding in the Company, either in its own name or through parties acting in concert with it, via the trading system of the SSE within the next 12 months by up to an aggregated number not exceeding 2% of the total issued share capital of the Company. On 28 August 2013, CSRG's plan to increase shareholding was completed. During the period of shareholding increase, CSRG increased its shareholding in the Company through the transactional system of SSE by an aggregate amount of 8,503,157 shares, which did not exceed 2% of the Company's total issued shares. As at 30 December 2013, CSRG held 7,796,321,142 shares of the Company, representing approximately 56.48% of the total issued share capital of the Company.

(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 announcement of the Company dated 12 December 2013 disclosed on the websites of SSE and the Hong Kong Stock Exchange.

INDEPENDENT AUDITORS' REPORT

To the shareholders of CSR Corporation Limited
(Registered 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 (together, the "Group") set out on pages 109 to 204, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 ("IFRSs") issued by the International Accounting Standards Board (the "IASB") 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, 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 (the "HKICPA"). 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 auditors consider 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 2013, and of the Group's profit and cash flows for the year then ended in accordance with IFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

HONG KONG
28 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	5	**96,525,052**	89,019,449
Cost of sales		**(79,896,059)**	(73,264,022)
Gross profit		**16,628,993**	15,755,427
Other income and gains, net	5	**1,481,884**	1,069,723
Selling and distribution expenses		**(3,085,197)**	(3,152,751)
Administrative expenses		**(8,561,806)**	(7,687,561)
Other expenses, net	6	**(347,845)**	(168,766)
PROFIT FROM OPERATIONS		**6,116,029**	5,816,072
Finance costs	7	**(546,350)**	(764,356)
Share of profits and losses of:			
Joint ventures	19	**360,290**	541,013
Associates	20	**3,502**	(59)
PROFIT BEFORE TAX	6	**5,933,471**	5,592,670
Income tax expense	10	**(859,318)**	(740,455)
PROFIT FOR THE YEAR		**5,074,153**	4,852,215
Attributable to:			
Owners of the parent	13	**4,139,972**	4,009,458
Non-controlling interests		**934,181**	842,757
		5,074,153	4,852,215
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	13	**30.0 cents**	29.9 cents
— Diluted	13	**30.0 cents**	29.9 cents

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
PROFIT FOR THE YEAR	**5,074,153**	4,852,215
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Changes in fair value	**330,982**	(99,940)
Income tax effect	**(23,314)**	5,945
Re-measurement gains on defined benefit obligations	**131,970**	—
Exchange differences on translation of foreign operations	**(29,500)**	13,096
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**410,138**	(80,899)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**5,484,291**	4,771,316
Total comprehensive income attributable to:		
Owners of the parent	**4,550,842**	3,922,786
Non-controlling interests	**933,449**	848,530
	5,484,291	4,771,316

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	As at 31 December 2013 RMB'000	As at 31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**25,200,595**	22,970,563
Prepaid land lease payments	15	**4,520,593**	4,456,656
Goodwill	16	**61,386**	97,147
Other intangible assets	17	**741,875**	554,326
Investments in jointly-controlled entities	19	**2,111,224**	1,753,479
Investments in associates	20	**842,393**	819,076
Loans and advances to customers		**30,000**	—
Available-for-sale investments	21	**708,842**	526,630
Deferred tax assets	10	**586,193**	469,695
Other non-current assets	22	**3,373,530**	1,308,337
Total non-current assets		**38,176,631**	32,955,909
CURRENT ASSETS			
Inventories	23	**17,721,119**	18,770,236
Trade receivables	24	**34,120,810**	26,618,776
Bills receivable	25	**6,196,202**	3,735,597
Prepayments, deposits and other receivables	26	**8,457,464**	8,058,186
Financial assets at fair value through profit or loss	27	**6,746**	7,346
Derivative financial instruments	28	**4,243**	2,243
Tax recoverable		**46,060**	24,314
Pledged deposits	29	**1,495,037**	547,429
Cash and cash equivalents	29	**14,905,100**	14,497,265
Total current assets		**82,952,781**	72,261,392
CURRENT LIABILITIES			
Trade payables	30	**31,798,126**	26,714,857
Bills payable	31	**13,574,959**	12,948,103
Other payables and accruals	32	**12,523,543**	11,929,561
Interest-bearing bank and other borrowings	33	**7,606,292**	8,595,597
Defined benefit obligations	34	**133,410**	138,200
Tax payable		**500,684**	461,236
Due to customers		**33,157**	—
Provision for warranties	35	**595,196**	479,453
Government grants	36	**234,832**	271,407
Total current liabilities		**67,000,199**	61,538,414
NET CURRENT ASSETS		**15,952,582**	10,722,978
TOTAL ASSETS LESS CURRENT LIABILITIES		**54,129,213**	43,678,887

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2013

	Notes	As at 31 December 2013 RMB'000	As at 31 December 2012 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	**3,568,511**	727,376
Defined benefit obligations	34	**1,232,950**	1,437,450
Provision for warranties	35	**1,147,285**	972,229
Government grants	36	**1,815,032**	927,214
Deferred tax liabilities	10	**61,210**	45,427
Other non-current liabilities		**149,594**	59,330
Total non-current liabilities		**7,974,582**	4,169,026
Net assets		**46,154,631**	39,509,861
EQUITY			
Equity attributable to owners of the parent			
Share capital	38	**13,803,000**	13,803,000
Reserves		**21,514,633**	17,710,157
Proposed final dividend	12	**1,242,270**	1,242,270
		36,559,903	32,755,427
Non-controlling interests		**9,594,728**	6,754,434
Total equity		**46,154,631**	39,509,861

Zheng Changhong
Director

Liu Hualong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 December 2013

	Attributable to owners of the parent											
	Share capital	Capital reserve	Available-for-sale Investment Revaluation reserve	Share option reserve	Defined benefit obligations re-measurement reserve	Common Statutory Reserve funds	Exchange Fluctuation reserve	Retained earnings	Proposed Final dividend	Total	Non-controlling interests	Total equity
	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	13,803,000	9,424,387	(168,965)	90,106	–	766,001	(24,775)	7,623,403	1,242,270	32,755,427	6,754,434	39,509,861
Profit for the year	–	–	–	–	–	–	–	4,139,972	–	4,139,972	934,181	5,074,153
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 defined benefit obligations	–	–	–	–	131,970	–	–	–	–	131,970	–	131,970
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(28,768)	–	–	(28,768)	(732)	(29,500)
Total comprehensive income for the year	–	–	307,668	–	131,970	–	(28,768)	4,139,972	–	4,550,842	933,449	5,484,291
Capital contribution from non-controlling shareholders *(Note 1)*	–	–	–	–	–	–	–	–	–	–	2,709,951	2,709,951
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 2)*	–	506,762	–	–	–	–	–	–	–	506,762	(506,762)	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(296,344)	(296,344)
Equity-settled share option arrangement	–	–	–	(10,858)	–	–	–	–	–	(10,858)	–	(10,858)
Final 2012 dividend declared	–	–	–	–	–	–	–	–	(1,242,270)	(1,242,270)	–	(1,242,270)
Proposed final 2013 dividend	–	–	–	–	–	–	–	(1,242,270)	1,242,270	–	–	–
Transfer from retained earnings	–	–	–	–	–	277,984	–	(277,984)	–	–	–	–
At 31 December 2013	13,803,000	9,931,149*	138,703*	79,248*	131,970*	1,043,985*	(53,543)*	10,243,121*	1,242,270	36,559,903	9,594,728	46,154,631

* These reserve accounts comprise the consolidated reserves of RMB21,514,633,000 (31 December 2012: RMB17,710,157,000) in the consolidated statement of financial position.

Note 1: In the year 2013, pursuant to the resolutions of general meeting of 2012 of Zhuzhou CSR Times Electric Co., Ltd. ("ZTE"), the subsidiary of the Group, revised articles of association, and the approval from the China Securities Regulatory Commission ("CSRC") (Zheng Jian Xu Ke [2012] No. 678), ZTE completed the public issue of 91,221,000 overseas listed foreign shares with par value RMB1.00 each, and the issue price was HKD 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 of 2013 of Zhuzhou Times New Material Technology Co., Ltd. ("ZTNM"), the 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 RMB736,628,000.

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 by 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 by RMB30,000,000.

Note 2: In the year 2013, the placing of new H share of ZTE and right issue of ZTNM above caused non-controlling interests to decrease by RMB506,762,000.

	Attributable to owners of the parent										
	Share capital *RMB'000*	Capital reserve *RMB'000*	Available-for-sale investment revaluation reserve *RMB'000*	Share option reserve *RMB'000*	Common statutory reserve funds *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained earnings *RMB'000*	Proposed final dividend *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2012	11,840,000	2,685,876	(74,970)	36,066	496,595	(32,098)	5,125,621	2,484,540	22,561,630	5,526,287	28,087,917
Profit for the year	—	—	—	—	—	—	4,009,458	—	4,009,458	842,757	4,852,215
Other comprehensive income for the year:											
Change in fair value of available-for-sale investments, net of tax	—	—	(93,995)	—	—	—	—	—	(93,995)	—	(93,995)
Exchange differences on translation of foreign operations	—	—	—	—	—	7,323	—	—	7,323	5,773	13,096
Total comprehensive income for the year	—	—	(93,995)	—	—	7,323	4,009,458	—	3,922,786	848,530	4,771,316
Capital contribution from shareholders *(Note1)*	1,963,000	6,736,405	—	—	—	—	—	—	8,699,405	—	8,699,405
Capital contribution from non-controlling shareholders *(Note 2)*	—	—	—	—	—	—	—	—	—	648,619	648,619
Excess of the acquirers' additional interests in the carrying value of identifiable net assets over the cost of acquisition of identifiable interests in subsidiaries	—	2,106	—	—	—	—	—	—	2,106	(2,106)	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(266,896)	(266,896)
Equity-settled share option arrangement	—	—	—	54,040	—	—	—	—	54,040	—	54,040
Final 2011 dividend declared	—	—	—	—	—	—	—	(2,484,540)	(2,484,540)	—	(2,484,540)
Proposed final 2012 dividend	—	—	—	—	—	—	(1,242,270)	1,242,270	—	—	—
Transfer from retained earnings	—	—	—	—	269,406	—	(269,406)	—	—	—	—
At 31 December 2012	13,803,000	9,424,387*	(168,965)*	90,106*	766,001*	(24,775)*	7,623,403*	1,242,270	32,755,427	6,754,434	39,509,861

* These reserve accounts comprise the consolidated reserves of RMB17,710,157,000 (31 December 2011: RMB8,237,090,000) in the consolidated statement of financial position.

Note 1: 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 China Securities Regulatory Commission ("CSRC") through Zheng Jian Xu Ke [2012] No. 210) on 20 February 2012. The net amount of proceeds from the non-public issue of A shares was RMB8,699,405,000, including share capital which increased by RMB1,963,000,000, and capital reserve which increased by RMB6,736,405,000.

Note 2: In the year 2012, the Company established a subsidiary, CSR Finance Co., Ltd. together with CSR Group, which caused non-controlling interests to increase by RMB90,000,000;

In the year 2012, the Group incorporated four subsidiaries, Shanghai CSR Hange Shipping Engineering Technology Co., Ltd. ("CSR Hange"), Henan CSR Heavy Equipment Manufacturing Co., Ltd. ("Henan Heavy Equipment") and Inner Mongolia CSR Electric Co., Ltd. ("Inner Mongolia Electric"), which caused non-controlling interests to increase by RMB93,920,000;

In the year 2012, the Group injected capital into Guangdong CSR Railway Transportation Vehicle Co., Ltd. and other subsidiaries, together with their non-controlling shareholders, which caused non-controlling interests to increase by RMB398,790,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**5,933,471**	5,592,670
Adjustments for:			
Depreciation of items of property, plant and equipment	6	**1,708,433**	1,565,578
Amortisation of prepaid land lease payments	6	**106,943**	102,243
Amortisation of other intangible assets	6	**125,215**	115,151
(Gain)/Loss on disposal of items of property, plant and equipment, net	5	**(111,977)**	(4,655)
Loss on disposal of other intangible assets, net	6	**266,687**	994
Provision against obsolete inventories	6	**136,404**	143,508
Impairment of trade receivables	6	**25,461**	265,661
Impairment of other receivables	6	**15,987**	(21,229)
Impairment of goodwill	6	**46,518**	—
Interest income and finance income of installment sales		**(170,308)**	(232,283)
Dividend income	5	**(160)**	(104)
Finance costs	7	**546,350**	764,356
Share of profits and losses of associates and joint ventures		**(363,792)**	(540,954)
Equity-settled share option expense	6	**(10,858)**	54,040
Gain on derivative financial instruments	5	**(2,000)**	(2,243)
Gain on financial instruments included in other receivables		**(8,195)**	(21,267)
		8,244,179	7,781,466
(Increase)/decrease in inventories		**923,789**	(644,127)
Increase in trade receivables, bills receivable and prepayments, deposits and other receivables		**(9,905,757)**	(15,797,911)
Decrease in pledged deposits		**52,392**	90,418
Increase in trade payables, bills payable and other payables and accruals		**6,909,178**	11,205,391
Decrease in defined benefit obligations		**(209,290)**	(143,450)
Increase in provision for warranties		**290,799**	317,316
(Increase)/decrease in other non-current assets		**(95,357)**	208,056
Cash generated from operations		**6,209,933**	3,017,159
Interest received		**170,308**	232,283
Income tax paid		**(968,390)**	(854,750)
Net cash inflow from operating activities		**5,411,851**	2,394,692

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment, excluding interest capitalised		**(4,122,601)**	(3,104,342)
Acquisition of prepaid land lease payments		**(162,549)**	(542,786)
Purchases of other intangible assets		**(295,007)**	(224,920)
Investments in associates		**(19,800)**	(252,630)
Investments in joint ventures		**(275,858)**	(24,067)
Purchases of available-for-sale investments		**(347,155)**	(355,229)
Purchases of financial instruments classified as other receivables		**(550,789)**	—
Prepayment of investments		**(440,674)**	—
Prepayment of acquisition of subsidiaries		**(113,253)**	(147,709)
Purchase of assets under finance leases		**(1,317,860)**	(1,147,753)
Dividends received from a joint venture		**501,910**	69,805
Dividends received from available-for-sale investments		**160**	104
Dividends received from associates		**1,500**	—
Interest on financial instruments included in other receivables		**8,195**	21,267
Proceeds from acquisitions of subsidiaries		**7,972**	49,951
Proceeds from disposal of prepaid land lease payments		**34,808**	3,951
Proceeds from disposal of items of property, plant and equipment		**74,388**	190,737
Proceeds from disposal of other intangible assets		**14,628**	—
Proceeds from disposal of financial assets at fair value through profit or loss		**—**	3,300
Proceeds from disposal of derivative financial instruments		**—**	26,874
Proceeds from disposal of available-for-sale investments		**608,077**	—
Proceeds from disposal of financial instruments classified as other receivables		**—**	116,219
Decrease/(increase) in non-pledged deposits with original maturity of three months or more when acquired		**(851,396)**	1,071,605
Net cash flows used in investing activities		**(7,245,304)**	(4,245,623)

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bonds		**(10,500,000)**	(8,000,000)
Repayment of bank and other borrowings		**(22,829,883)**	(19,604,865)
Distribution to shareholders		**(1,242,270)**	(2,484,540)
Bond issue expense		**(1,019,750)**	(9,750)
Dividends paid to non-controlling shareholders		**(264,588)**	(297,051)
Interest paid		**(544,907)**	(969,830)
Proceeds from bank and other borrowings		**23,677,330**	14,439,463
Proceeds from issuance of bonds		**11,500,000**	2,000,000
Capital contributions from non-controlling shareholders		**2,697,147**	564,550
Proceeds from issue of shares		**—**	8,754,980
Purchase of non-controlling interests		**—**	(9,856)
Share issue expenses		**—**	(55,575)
Net cash flows (used in) / from financing activities		**1,473,079**	(5,672,474)
Effect of foreign exchange rate changes, net		**(83,187)**	(206)
Net decrease in cash and cash equivalents		**(443,561)**	(7,523,611)
Cash and cash equivalents at beginning of year		**14,452,265**	21,975,876
Cash and cash equivalents at end of year		**14,008,704**	14,452,265

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**26,311**	16,918
Other intangible assets	17	**28,706**	31,581
Investments in subsidiaries	18	**32,267,406**	28,979,132
Investments in an associate	20	**400,000**	400,000
Available-for-sale investments	21	**678**	678
Other non-current assets	22	**61,000**	—
Total non-current assets		**32,784,101**	29,428,309
CURRENT ASSETS			
Prepayments, deposits and other receivables	26	**9,724,365**	11,091,660
Tax recoverable		**1,892**	522
Pledged deposits	29	**1,008,628**	4,367
Cash and cash equivalents	29	**2,280,234**	2,368,732
Total current assets		**13,015,119**	13,465,281
CURRENT LIABILITIES			
Other payables and accruals	32	**5,006,063**	6,378,513
Interest-bearing bank and other borrowings	33	**4,550,000**	4,495,000
Defined benefit obligations	34	**2,702**	2,240
Total current liabilities		**9,558,765**	10,875,753
NET CURRENT ASSETS		**3,456,354**	2,589,528
TOTAL ASSETS LESS CURRENT LIABILITIES		**36,240,455**	32,017,837
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	**3,000,000**	300,000
Defined benefit obligations	34	**19,155**	13,080
Total non-current liabilities		**3,019,155**	313,080
Net assets		**33,221,300**	31,704,757
EQUITY			
Share capital	38	**13,803,000**	13,803,000
Reserves	38	**18,176,030**	16,659,487
Proposed final dividend	12	**1,242,270**	1,242,270
Total equity		**33,221,300**	31,704,757

Zheng Changhong
Director

Liu Hualong
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2013

1. CORPORATE 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 38.

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, 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. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretation Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under a historical cost convention, except for financial assets at fair value through profit or loss and available-for-sale financial investments as further explained below. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss, the Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time adoption of International Financial Reporting Statements- Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 - *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19 (2011)	*Employee Benefits*
IAS 27 (2011)	*Separate Financial Statements*
IAS 28 (2011)	*Investments in Associates and Joint Ventures*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (early adopted)*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in June 2012

The adoption of the revised IFRSs has had no significant financial effect on these financial statements.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs and IFRIC interpretation, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments* [3]
IFRS 9, IFRS 7 and IAS 39 Amendments	Hedge Accounting and amendments to IFRS 9, IFRS 7 *and IAS 39*[3]
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) *–Investment Entities*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits - Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in December 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

The IAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group’s voting rights and potential voting rights.

The results of subsidiaries are included in the Company’s statement of profit or loss to the extent of dividends received and receivable. The Company’s investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets held-for-sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. 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.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment 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

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 in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Construction in progress representing buildings, plants, machinery and equipment under construction 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.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Purchased patents and technical know-how

Purchased patents and technical know-how are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 to 10 years.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 10 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments 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 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 rentals receivable under the operating leases are credited to the statement of 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 on the straight-line basis over the lease terms.

Prepaid land premiums/land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below. Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in other income and gains in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income and gains, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other expenses. Interest and dividends earned whilst holding the available-for-sale financial Investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred assets to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

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

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of other income. Impairment losses on debt instruments are reversed through the statement of profit or loss, if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, and interest-bearing loans and borrowings.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flows hedges, which is recognised in other comprehensive income.

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.

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, and short term highly liquid investments that are readily convertible into known amounts of cash, 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.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, it is recognised as deferred income and released to the statement of profit or loss over the expected useful life of the related asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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;

(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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF 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. 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.

Share-based payments

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 cost of equity-settled transactions with employees for grants after 27 April 2011 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 37 to the financial statements. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where nonvesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement schemes organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefits payable to all existing and future retired employees under these plans and the Group has no further obligations for post-retirement benefits beyond the contributions made. The contributions to the schemes are recognised as and when incurred.

The Group implements a pension annuity plan, pursuant to which the Group pays contributions to the plan regularly and the Group has no further obligation thereto once the required contributions have been made. The contributions are recognised as employee benefit expenses when incurred.

In addition, the Group also pays supplemental pension subsidies to retiree employees. As detailed in note 34 below, these supplemental pension payables were assessed using the projected unit credit actuarial cost method; the cost of providing such subsidies is charged to the statement of profit or loss so as to spread the service cost over the average lives of such former employees, in accordance with the actuarial reports which contained full valuations of the plans for each of the relevant accounting periods.

These supplemental pension obligations are measured at the present value of the estimated future cash outflows using market yields of government bonds which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets and 10% of the defined benefit obligation are charged or credited to the statement of profit or loss over the employees' expected average vesting period.

Termination and early retirement benefits

Termination and early retirement benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

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.

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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of comprehensive income are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

De facto control over 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 ability to exercise de facto control in the shareholders' meetings or equivalent governing body of the investee;

(ii) the ability to govern the financial and operational decision of the investee;

(iii) the ability to appoint or remove the majority of the members of the board of directors or equivalent governing body of the investee;

(iv) the ability to cast the majority of votes of the board of directors.

Estimation uncertainty

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

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 2013 was RMB1,366,360,000 (2012: RMB1,575,650,000).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other timing differences to the extent that it is probable that taxable profit will be available against which the losses and other timing 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 2013 was RMB 586,193,000 (2012: RMB469,695,000). Further details are contained in note 10 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (CONTINUED)

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 prepayments, deposits and other receivables at 31 December 2013 were RMB34,120,810,000 (2012: RMB26,618,776,000) and RMB8,457,464,000 (2012: RMB8,058,186,000), 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 2013 was RMB17,721,119,000 (2012 RMB18,770,236,000).

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 2013 was RMB61,386,000 (2012: RMB97,147,000). More details are given in note 16.

4. OPERATING 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

	2013 *RMB'000*	2012 *RMB'000*
Rail transportation products and their extent products and services	**96,525,052**	89,019,449

Geographical information

Revenue from external customers

	2013 *RMB'000*	2012 *RMB'000*
Mainland China	**90,128,187**	80,540,502
Other countries and regions	**6,396,865**	8,478,947
	96,525,052	89,019,449

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

Non-current assets

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000*
Mainland China	**33,226,283**	30,397,351
Other countries and regions	**914,458**	612,126
	34,140,741	31,009,477

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 2013 was RMB 39,209,182,000 (2012:RMB37,480,731,000). The state-owned entities are not identified as a group of customers under common control by the directors of the Company.

Note: The Ministry of Railways and entities invested and managed by local railway departments are regarded as a single customer by the directors of the Company.

5. REVENUE, OTHER INCOME AND GAINS

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:

	Note	2013 RMB'000	2012 RMB'000
Revenue			
Sale of goods and services		**96,432,975**	89,016,049
Finance Company:			
Interest income from banks and other financial institutions		**89,999**	3,400
Fee and commission income		**2,078**	—
		96,525,052	89,019,449
Other income			
Interest income		**134,142**	232,283
Dividend income		**160**	104
Profit from sales of scrap materials		**64,832**	57,624
Value-added tax refunds		**69,612**	94,504
Government grants	36	**928,967**	569,267
Total		**1,197,713**	953,782
Gains			
Fair value gains, net:			
Available-for-sale investments			
(transfer from equity on disposal)		**118,132**	—
Derivative financial instruments		**2,000**	2,243
Gain on disposal of items of property, plant and equipment		**111,977**	—
Gain on derivative financial instrument settlement		**6,703**	—
Gain on financial investments included in other receivables		**1,781**	21,267
Gain on rental of items of property, plant and equipment		**13,728**	9,535
Gain on land lease		**6,407**	5,064
Others		**23,443**	77,832
Total		**284,171**	115,941
		1,481,884	1,069,723

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Note	2013 RMB'000	2012 RMB'000
Cost of inventories sold		**79,896,059**	73,264,022
Depreciation of items of property, plant and equipment	14	**1,708,433**	1,565,578
Amortisation of prepaid land lease payments	15	**106,943**	102,243
Amortisation of other intangible assets	17	**125,215**	115,151
Provision against obsolete inventories *		**136,404**	143,508
Auditors' remuneration		**11,000**	11,070
Provision for warranties	35	**1,065,748**	960,771
Minimum lease payments under operating leases:			
Plant and machinery		**40,181**	39,649
Land and buildings		**71,726**	70,437
Research and development costs		**3,627,199**	3,070,589
Less: Amount capitalised		**(25,614)**	(28,343)
		3,601,585	3,042,246
Staff costs (including directors', supervisors' and chief executive's remuneration wages, and salaries, and employees' benefits other than below)		**8,522,010**	7,839,034
Contribution to government-operated pension schemes		**1,061,210**	940,103
Contribution to annuity pension schemes		**178,373**	166,752
Equity-settled share option expense		**(10,858)**	54,040
Defined benefit obligations - interest costs	34	**59,710**	12,310
		9,810,445	9,012,239
Included in other expenses, net:			
Impairment of trade receivables	24	**(19,260)**	265,661
Impairment of long-term trade receivables	22	**44,721**	—
Impairment of other receivables	26	**15,987**	(21,229)
Impairment of goodwill	16	**46,518**	—
Exchange losses, net		**(6,808)**	(114,910)
Gain on disposal of items of property, plant and equipment		**—**	(4,655)
Loss on disposal of other intangible assets, net		**—**	994
Loss on disposal of held-for sale assets included in other receivables		**266,687**	—
Estimated loss on pending litigation		**—**	42,905
		347,845	168,766

* Included in "Cost of sales" on the face of the consolidated statements of comprehensive income for the years ended 31 December 2013 and 31 December 2012.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	**593,281**	826,904
Interest on bills discounted	**3,537**	2,042
Less: Interest capitalised in construction in progress	**(50,851)**	(74,711)
Unrealised loss on financial assets at fair value through profit or loss	**383**	10,121
Total	**546,350**	764,356

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', supervisors' and chief executive's remuneration 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 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Fees	**698**	857
Other emoluments:		
Salaries	**1,404**	1,475
Performance-related bonuses	**2,078**	2,884
Social security contribution other than pension*	**215**	259
Pension scheme contributions**	**185**	219
	3,882	4,837

* 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.

** 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.

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

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

	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	—	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 We	—	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

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

The names of the directors, supervisors and the chief executive and their remuneration and benefit contributions for the year are as follows:(continued)

	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 2012						
Executive directors:						
Mr. Zheng Changhong *(note 1)*	—	210	643	39	33	925
Mr. Liu Hualong *(note 1)*	—	189	579	39	33	840
Mr. Chen Dayang	—	226	236	39	33	534
Mr. Zhao Xiaogang *(note2)*	—	175	536	32	27	770
Mr. Tang Kelin *(note2)*	—	158	482	32	27	699
	—	958	2,476	181	153	3,768
Independent non-executive directors:						
Mr. Zhao Jibin	165	—	—	—	—	165
Mr. Yang Yuzhong	185	—	—	—	—	185
Mr. Chen Yongkuan	165	—	—	—	—	165
Mr. Dai Deming	181	—	—	—	—	181
Mr. Tsoi, David	161	—	—	—	—	161
	857	—	—	—	—	857
Supervisors:						
Mr. Wang Yan	—	—	—	—	—	—
Mr. Qiu Wei	—	256	188	39	33	516
Mr. Sun Ke	—	261	220	39	33	553
	—	517	408	78	66	1,069
	857	1,475	2,884	259	219	5,694

Note:

(1) Mr. Liu Hualong is the chief executive of the Company after 24 October, 2012, and Mr. Zheng Changhong was the chief executive of the Company before 24 October, 2012.

(2) The remuneration of the key management personnels, whose position changed during the year, was calculated based on the remuneration of their actual tenure.

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.

9. 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 above non-director, non-supervisor and non-chief executive highest paid employees during the year are as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Salaries	**1,018**	763
Performance-related bonuses	**4,323**	4,949
Social security contribution other than pension	**398**	520
Pension scheme contributions	**964**	1,015
	6,703	7,247

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

	Number of employees	
	2013	2012
RMB1,000,001 to RMB1,500,000	**5**	2
RMB1,500,001 to RMB2,000,000	**—**	3
	5	5

10. INCOME TAX

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Current income tax	**985,501**	835,921
Deferred tax	**(126,183)**	(95,466)
Total tax charge for the year	**859,318**	740,455

10. INCOME TAX (CONTINUED)

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% is applied to the Group for the years ended 31 December 2013 and 2012, except for certain subsidiaries which were either exempted from tax or entitled to different preferential tax rates during the years. Certain subsidiaries of the Group are entitled to the preferential tax rate of 15% (2012: 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% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2013 and 2012.

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			
	2013		2012	
	RMB'000	**%**	*RMB'000*	*%*
Profit before tax	**5,933,471**		5,592,670	
Tax at the applicable tax rate	**1,483,368**	**25.0**	1,398,168	25.0
Entities subject to lower statutory income tax rates	**(556,907)**	**(9.4)**	(539,123)	(9.6)
Adjustments in respect of current tax of the previous year	**(13,393)**	**(0.2)**	5,904	(0.1)
Profits and losses of associates and joint ventures	**(50,667)**	**(0.9)**	(79,986)	(1.4)
Expenses not deductible for tax *(note 1)*	**117,447**	**2.0**	110,785	2.0
Prior year tax losses utilised	**(28,230)**	**(0.5)**	(51,449)	(0.9)
Tax losses not recognised	**89,868**	**1.5**	26,688	0.4
Others *(note 2)*	**(182,168)**	**(3.0)**	(130,532)	(2.4)
	859,318	**14.5**	740,455	13.2
Share of tax attributable to associates and joint ventures included in "Share of profits and losses of associates and jointly-controlled entities" on the face of the consolidated statement of profit or loss	**72,119**		110,651	

Notes:

(1) Expenses not deductible for tax mainly comprised impairment for debtors and inventories.

(2) Others mainly comprised income tax benefits on locally purchased machinery, research and development expenditure, etc.

10. INCOME TAX (CONTINUED)

The deferred tax of the Group is analysed as follows:

	Group			
	Consolidated statement of financial position As at 31 December		Consolidated statement of comprehensive income Year ended 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deferred tax assets:				
Warranty claims provision	**231,188**	188,870	**(42,318)**	(39,004)
Government grants	**75,105**	91,276	**16,171**	(30,426)
Accrued commission	**63,677**	35,785	**(27,892)**	(3,446)
Assets impairment	**61,454**	45,723	**(15,731)**	(15,931)
Unrealised profits in inventories	**41,019**	32,812	**(8,207)**	20,316
Accrued royalty fee	**30,613**	17,891	**(12,722)**	6,504
Wages payable	**26,270**	10,897	**(15,373)**	(7,725)
Others	**56,867**	46,441	**(10,426)**	(37,425)
Gross deferred tax assets	**586,193**	469,695		
Deferred tax liabilities:				
Fair value adjustment arising from financial assets at fair value through profit or loss	**(636)**	(336)	**300**	(5,030)
Fair value adjustment arising from available-for-sale investments	**(16,236)**	—	**16,236**	—
Fair value adjustments arising from acquisitions of subsidiaries	**(29,656)**	(32,633)	**(2,977)**	21,955
Depreciation difference	**(14,682)**	(12,458)	**2,224**	1,714
Gross deferred tax liabilities	**(61,210)**	(45,427)	**(100,715)**	(88,498)
Represented by:				
Deferred tax credited to profit or loss			**(126,183)**	(95,466)
Deferred tax credited to other comprehensive income during the year			**23,314**	(5,945)
Acquisitions of subsidiaries			**2,805**	12,377
Exchange realignment			**(651)**	536
			(100,715)	(88,498)

The Group also has tax losses arising in Mainland China of RMB1,513,242,000 (2012: RMB996,330,000) 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.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a profit of RMB2,779,528,000 (2012: RMB2,701,216,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

The dividends for the years ended 31 December 2013 and 2012 are set out below:

	2013 RMB'000	2012 RMB'000
Proposed final — RMB9.0 cents (2012: RMB9.0 cents) per ordinary share	**1,242,270**	1,242,270

The proposed final dividend for the year ended 31 December 2013 is based on the total number of ordinary shares of 13,803,000,000 (year ended 31 December 2012: 13,803,000,000 shares).

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 13,803,000,000 (2012: 13,400,746,000) in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2013 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

The calculation of basic earnings per share is based on:

	2013 RMB'000	2012 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**4,139,972**	4,009,458
Shares		
Weighted average number of domestic shares in issue during the year used in the calculation of basic earnings per share	**13,803,000,000**	13,400,746,000
Effect of dilution - weighted average number of ordinary shares:		
Share options	**—**	—
	13,803,000,000	13,400,746,000

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Notes	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
31 December 2013							
At 1 January 2013:							
Cost		12,152,919	14,096,312	762,590	1,533,089	3,005,097	31,550,007
Accumulated depreciation and impairment		(2,288,494)	(5,075,008)	(456,702)	(758,664)	(576)	(8,579,444)
Net carrying amount		9,864,425	9,021,304	305,888	774,425	3,004,521	22,970,563
At 1 January 2013, net of accumulated depreciation and impairment		9,864,425	9,021,304	305,888	774,425	3,004,521	22,970,563
Additions		75,767	336,472	17,968	153,652	3,729,768	4,313,627
Transfer from construction in progress		1,433,059	1,440,412	54,715	58,400	(2,986,586)	—
Acquisitions of subsidiaries	39	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		(34,789)	(237,676)	(2,382)	(4,871)	(22,361)	(302,079)
Depreciation provided	6	(328,284)	(1,113,692)	(58,611)	(207,846)	—	(1,708,433)
Exchange realignment		(242)	(1,562)	(39)	(250)	117	(1,976)
At 31 December 2013, net of accumulated depreciation and impairment		11,019,621	9,449,279	319,235	774,531	3,637,929	25,200,595
At 31 December 2013:							
Cost		13,582,499	15,390,144	822,230	1,701,662	3,638,505	35,135,040
Accumulated depreciation and impairment		(2,562,878)	(5,940,865)	(502,995)	(927,131)	(576)	(9,934,445)
Net carrying amount		11,019,621	9,449,279	319,235	774,531	3,637,929	25,200,595

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Notes	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
31 December 2012							
At 1 January 2012:							
Cost		10,644,192	12,274,873	768,519	1,332,413	3,554,727	28,574,724
Accumulated depreciation and impairment		(2,014,481)	(4,143,524)	(425,082)	(616,730)	(576)	(7,200,393)
Net carrying amount		8,629,711	8,131,349	343,437	715,683	3,554,151	21,374,331
At 1 January 2012, net of accumulated depreciation and impairment		8,629,711	8,131,349	343,437	715,683	3,554,151	21,374,331
Additions		326,564	336,278	18,524	126,491	2,438,301	3,246,158
Transfer from construction in progress		1,161,926	1,547,988	27,108	121,248	(2,858,270)	—
Acquisitions of subsidiaries	39	113,750	77,390	4,078	2,550	2,975	200,743
Transfer to prepaid land lease payments	15	—	—	—	—	(80,917)	(80,917)
Transfer to other intangible assets	17	—	—	—	—	(15,493)	(15,493)
Disposals		(45,847)	(81,254)	(29,883)	(1,532)	(36,672)	(195,188)
Depreciation provided	6	(322,676)	(995,511)	(57,376)	(190,015)	—	(1,565,578)
Exchange realignment		997	5,064	—	—	446	6,507
At 31 December 2012, net of accumulated depreciation and impairment		9,864,425	9,021,304	305,888	774,425	3,004,521	22,970,563
At 31 December 2012:							
Cost		12,152,919	14,096,312	762,590	1,533,089	3,005,097	31,550,007
Accumulated depreciation and impairment		(2,288,494)	(5,075,008)	(456,702)	(758,664)	(576)	(8,579,444)
Net carrying amount		9,864,425	9,021,304	305,888	774,425	3,004,521	22,970,563

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Computer equipment and others *RMB'000*
31 December 2013	
At 1 January 2013:	
Cost	40,839
Accumulated depreciation and impairment	(23,921)
Net carrying amount	16,918
At 1 January 2013, net of accumulated depreciation and impairment	16,918
Additions	14,137
Disposals	(675)
Depreciation provided	(4,069)
At 31 December 2013, net of accumulated depreciation and impairment	26,311
At 31 December 2013:	
Cost	49,273
Accumulated depreciation and impairment	(22,962)
Net carrying amount	26,311

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Computer equipment and others *RMB'000*
31 December 2012	
At 1 January 2012:	
Cost	36,409
Accumulated depreciation and impairment	(20,239)
Net carrying amount	16,170
At 1 January 2012, net of accumulated depreciation and impairment	16,170
Additions	5,156
Disposals	(675)
Depreciation provided	(3,733)
At 31 December 2012, net of accumulated depreciation and impairment	16,918
At 31 December 2012:	
Cost	40,839
Accumulated depreciation and impairment	(23,921)
Net carrying amount	16,918

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, capitalisation rates ranging 2.65% to 6.84% (2012: capitalisation rates ranging from 4.09% to 7.32%) have been applied to the expenditure on individual assets.

As at 31 December 2013, all of the Group's buildings are located in the PRC, except for the buildings of RMB27,828,000 (2012: RMB28,771,000) which are located in the United Kingdom.

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 33 below.

15. PREPAID LAND LEASE PAYMENTS

		Group	
	Notes	2013 RMB'000	2012 RMB'000
Carrying amount at 1 January, net of accumulated amortisation		**4,456,656**	4,404,065
Additions		**140,892**	280,319
Transfer from construction in progress	14	**57,724**	80,917
Acquisitions of subsidiaries	39	**6,907**	62,614
Disposals		**(34,809)**	(270,638)
Amortisation	6	**(106,943)**	(102,243)
Exchange realignment		**166**	1,622
Carrying amount at 31 December		**4,520,593**	4,456,656

The leasehold lands are held under medium term leases and are situated in the PRC, except for the medium leasehold lands of RMB17,899,000 which are located in the United Kingdom.

The details of the above prepaid land lease payments pledged to secure general banking facilities granted to the Group are set out in note 33 below.

16. GOODWILL

		Group	
	Notes	2013 RMB'000	2012 RMB'000
Cost, net of accumulated impairment:			
At beginning of year		**97,147**	53,972
Acquisitions of subsidiaries	39	**11,937**	40,880
Impairment during the year	6	**(46,518)**	—
Exchange realignment		**(1,180)**	2,295
At end of year		**61,386**	97,147
Cost		**61,386**	97,147
Net carrying		**61,386**	97,147

Goodwill acquired through business combinations has been mainly allocated to an individual cash-generating unit ("CGU"), mainly represented by the power semiconductor and integrated circuit product line, for impairment testing. The recoverable amount of this CGU has been determined based on value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projection is 15% (2012: 15%), which is based on the weighted average cost of capital, and cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2012: 2%).

Assumptions were used in the value in use calculation of the CGU of power semiconductors and integrated circuit products for the year ended 31 December 2013. The following describes each key assumption on which management has based its cash flow projections to undertake the impairment testing of goodwill:

Budgeted gross margins - The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate - The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of the power semiconductor and integrated circuit product line, discount rates and raw materials price inflation are consistent with external information sources.

17. OTHER INTANGIBLE ASSETS

Group

	Notes	Patents and technical know-how RMB'000	Computer software RMB'000	Total RMB'000
31 December 2013				
At 1 January 2013, net of accumulated amortisation and impairment		**259,083**	**295,243**	**554,326**
Additions		**181,520**	**106,054**	**287,574**
Transfer from construction in progress	14	**—**	**31,311**	**31,311**
Acquisitions of subsidiaries	39	**8,558**	**—**	**8,558**
Disposals		**(70)**	**(14,558)**	**(14,628)**
Amortisation	6	**(43,663)**	**(81,552)**	**(125,215)**
Exchange realignment		**(4)**	**(47)**	**(51)**
At 31 December 2013, net of accumulated amortisation and impairment		**405,424**	**336,451**	**741,875**
At 31 December 2013:				
Cost		**924,117**	**643,153**	**1,567,270**
Accumulated amortisation and impairment		**(518,693)**	**(306,702)**	**(825,395)**
Net carrying amount		**405,424**	**336,451**	**741,875**
31 December 2012				
At 1 January 2012, net of accumulated amortisation and impairment		227,453	223,549	451,002
Additions		63,701	117,148	180,849
Transfer from construction in progress	14	—	15,493	15,493
Acquisitions of subsidiaries	39	12,254	9,737	21,991
Disposals		—	(759)	(759)
Amortisation	6	(45,226)	(69,925)	(115,151)
Exchange realignment		901	—	901
At 31 December 2012, net of accumulated amortisation and impairment		259,083	295,243	554,326
At 31 December 2012:				
Cost		734,610	523,609	1,258,219
Accumulated amortisation and impairment		(475,527)	(228,366)	(703,893)
Net carrying amount		259,083	295,243	554,326

17. OTHER INTANGIBLE ASSETS (CONTINUED)

Company

	Computer software *RMB'000*
31 December 2013	
At 1 January 2013, net of accumulated amortisation and impairment	**31,581**
Additions	**1,840**
Amortisation	**(4,715)**
At 31 December 2013, net of accumulated amortisation and impairment	**28,706**
At 31 December 2013:	
Cost	**49,180**
Accumulated amortisation and impairment	**(20,474)**
Net carrying amount	**28,706**
31 December 2012	
At 1 January 2012, net of accumulated amortisation and impairment	22,185
Additions	17,039
Amortisation	(7,643)
At 31 December 2012, net of accumulated amortisation and impairment	31,581
At 31 December 2012:	
Cost	47,340
Accumulated amortisation and impairment	(15,759)
Net carrying amount	31,581

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 ***RMB'000***	2012 *RMB'000*
Unlisted investments, at cost	**31,232,406**	28,800,132
Loans to subsidiaries	**1,035,000**	179,000
	32,267,406	28,979,132

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.

18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2013 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		Principal activities
			Direct	Indirect	
CSR Zhuzhou Electric Locomotive Co., Ltd. 南車株洲電力機車有限公司	PRC 31 August 2005	RMB4,184,195,800	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	—	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	—	Manufacturing, selling and repairing of locomotives
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. 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	—	Investment holding, manufacturing and selling of wind turbines
CSR Sifang Co., Ltd. 南車四方車輛有限公司	PRC 4 September 1980	RMB293,095,500	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	RMB1,300,000,000	100.0	—	Trading and finance leasing
CSR Yangtze Co., Ltd. 南車長江車輛有限公司	PRC 14 September 2006	RMB2,372,868,800	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	—	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	—	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	—	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	—	Manufacturing, selling and repairing of rolling stock
CSR Erqi Co., Ltd. 南車二七車輛有限公司	PRC 28 June 2007	RMB381,873,228	100.0	—	Manufacturing, selling and repairing of rolling stock

18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2013 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	
CSR Meishan Co., Ltd. 南車眉山車輛有限公司	PRC 28 June 2007	RMB337,848,600	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	RMB447,476,400	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	—	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	HKD400,000,000	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	RMB848,180,000	100.0	—	Manufacturing and selling of electric motors
CSR Finance Co., Ltd. 南車財務有限公司	PRC 4 December 2012	RMB1,000,000,000	91	—	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	AUD1,000,000	100	—	Trading and after-sale maintaining
CSR international Co., Ltd. 南車國際裝備工程有限公司	PRC 2013 13 May	RMB600,000,000	100	—	Trading equipment engineering
Zhuzhou CSR Times Electric Co., Ltd. 株洲南車時代電氣股份有限公司	PRC 26 September 2005	RMB1,175,476,637	—	51.8	Manufacturing of train- bore systems and components
Zhuzhou Times New Material Technology Co., Ltd. (i) 株洲時代新材料科技股份有限公司	PRC 24 May 1994	RMB661,422,092	—	27.4	Manufacturing and selling of polymer compounds, etc.
Dynex Power Inc.	Canada	CAD37,096,192	—	75.0	Manufacturing and selling of power semiconductors and integrated circuit products

(i) The directors are of the opinion that the Group obtained de facto control over Zhuzhou Times New Material Technology Co., Ltd. ("ZTNM") as the Group obtained a majority of seats in the board of directors of ZTNM and held 41.28% of the voting rights in shareholder meetings of ZTNM.

The English names of certain companies above represent the best efforts of the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

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 2013. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INVESTMENTS IN JOINT VENTURES

	Group	
	2013	2012
	RMB'000	*RMB'000*
Share of net assets	**2,111,224**	1,753,479

Particulars of the principal joint ventures of the Group as at 31 December 2013 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	Indirect	Principal activities
Bombardier Sifang (Qingdao) Transportation Ltd. 青島四方龐巴迪鐵路運輸設備有限公司	PRC 27 November 1998	US$84,120,000	—	50.0	Manufacturing and selling of locomotives and rolling stock
Zhuzhou Shiling Traffic Equipment Co., Ltd.株洲時菱交通設備有限公司	PRC 8 April 2005	US$14,000,000	—	50.0	Manufacturing and selling of locomotive accessories
Qingdao Sifang Kawasaki Rolling Stock Technology Co., Ltd.青島四方川崎車輛技術有限公司	PRC 4 April 2005	US$1,400,000	11.0	39.0	Manufacturing and selling of railway and urban mass transit vehicles
Siemens Traction Equipment Ltd. Zhuzhou株洲西門子牽引設備有限公司	PRC 28 November 1998	RMB128,989,000	—	50.0	Manufacturing and selling of locomotive accessories
Zhuzhou High-tech Investment & Guaranty, Co., Ltd. 株洲南車時代高新投資擔保有限責任公司	PRC 28 December 2007	RMB100,000,000	—	50.0	Providing investment and consulting services
CSR MNG Rail System Vehicles Industry and Trade Co.,Ltd 南車—MNG軌道交通系統車輛工業與貿易有限公司	TUR 28 October 2013	LT108,400,000	—	60.0	Manufacturing, importing and selling rolling stock

The English names of certain companies above represent the best efforts of the management of the Company in directly translating the Chinese names of these companies as no English names have 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.

19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The following table illustrates the summarised financial information of the Group's joint ventures:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Share of the joint ventures' net assets:		
Current assets	**6,437,936**	7,746,562
Non-current assets	**923,801**	736,465
Current liabilities	**(4,523,329)**	(6,126,672)
Non-current liabilities	**(727,184)**	(602,876)
Net assets	**2,111,224**	1,753,479
Share of the joint ventures' revenue and profit:		
Revenue	**2,697,467**	3,246,552
Expenses	**(2,269,656)**	(2,600,059)
Profit before tax	**427,811**	646,493
Tax	**(67,521)**	(105,480)
Profit after tax	**360,290**	541,013

20. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted equity investments, at cost	**—**	—	**400,000**	400,000
Share of net assets	**842,393**	819,076	**—**	—
	842,393	819,076	**400,000**	400,000

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the principal associates of the Group as at 31 December 2013 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		Principal activities
			Direct	Indirect	
Shijiazhuang Guoxiang Precision Machinery Co., Ltd.石家莊國祥精密機械有限公司	PRC 1 August 2001	RMB12,000,000	—	40.0	Manufacturing of precise machinery
Huaneng Tieling Wind Power Co., Ltd.華能鐵嶺風力發電有限公司	PRC 29 December 2009	RMB155,500,000	—	25.0	Wind power generation
Huaneng Panjin Wind Power Co., Ltd.華能盤錦風力發電有限公司	PRC 17 September 2009	RMB172,336,120	—	25.0	Wind power generation
Huaneng Tieling Daxing Wind Power Co., Ltd.華能鐵嶺大興風力發電有限公司	PRC 28 June 2010	RMB163,960,000	—	25.0	Wind power generation
Guangzhou Electric Locomotive Co., Ltd. 廣州電力機車有限公司	PRC 1 March 2011	RMB1,000,000,000	40.0	—	Manufacturing, selling and repairing of locomotives
Guangzhou Electric Locomotive Co., Ltd. 常州黃海汽車有限公司	PRC 15 January 2007	RMB350,557,500	—	34.0	Manufacturing, selling and repairing of automobiles
Guiyang Times Wharton Technology Co.,Ltd貴陽時代沃頓科技有限公司	PRC 28 July 2006	RMB26,000,000	—	38.0	Manufacturing of chemical materials

The English names of the companies above represents the best effort of the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

The above table lists the principal associates of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information of the Group's associates extracted from their audited financial statements or management accounts:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Share of the associates' net assets:		
Current assets	**715,194**	651,703
Non-current assets	**646,171**	735,725
Current liabilities	**(365,403)**	(377,187)
Non-current liabilities	**(154,311)**	(170,744)
Non-controlling interests	**742**	(20,421)
Net assets	**842,393**	819,076
Share of the associates' revenue and profit:		
Revenue	**371,500**	351,140
Expenses	**(363,400)**	(346,846)
Profit before tax	**8,100**	4,294
Tax	**(4,598)**	(5,171)
	3,502	(877)
Non-controlling interests	**—**	818
Profit after tax	**3,502**	(59)

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Unlisted equity investments, at cost less impairment	**38,914**	33,077	**678**	678
Listed equity investments, in the PRC, at fair value	**669,928**	493,553	**—**	—
	708,842	526,630	**678**	678

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to 330,982,000 (2012: loss of RMB99,940,000).

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.
The Group does not intend to dispose of them in the near future.

Listed equity investments

The fair value of the listed equity investments is determined by reference to published price quotations in an active market.

22. OTHER NON-CURRENT ASSETS

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Investment prepayment	**3,000**	—	**61,000**	—
Land lease prepayment	**494,426**	258,601	**—**	—
Other intangible assets prepayments	**7,434**	44,071	**—**	—
Long term prepaid expenses	**34,843**	30,520	**—**	—
Property, plant and equipment prepayments	**29,831**	25,038	**—**	—
Long term receivables *(note)*	**2,316,723**	950,107	**—**	—
Others	**487,273**	—	**—**	—
	3,373,530	1,308,337	**61,000**	—

22. OTHER NON-CURRENT ASSETS (CONTINUED)

Note:

The long term receivables arised from finance leases. As at 31 December 2013, the unearned finance income in respect of the long term receivables amounted to RMB685,782,000(31 December 2012: RMB462,234,000).

The maturity profile of the long term receivables of the Group at the end of the reporting period is as follows:

		Group	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Within one year		**600,701**	158,069
In the second to tenth years, inclusive		**2,361,444**	950,107
Less: Impairment recognised	6	**(44,721)**	—
Long term receivables		**2,917,424**	1,108,176
Portion classified as:			
Current assets		**600,701**	158,069
Non-current assets		**2,316,723**	950,107

23. INVENTORIES

	Group	
	2013	2012
	RMB'000	*RMB'000*
Cost, net of provision		
Raw materials	**5,647,236**	6,215,032
Work in progress	**7,329,232**	8,149,525
Finished goods	**4,744,651**	4,405,679
	17,721,119	18,770,236

24. 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, 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	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**34,886,943**	27,434,860
Impairment	**(766,133)**	(816,084)
	34,120,810	26,618,776

An aged analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of provision for impairment of receivables, is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Within 6 months	**27,763,000**	20,164,417
6 months to 1 year	**4,120,545**	4,583,116
Over 1 year	**2,237,265**	1,871,243
	34,120,810	26,618,776

24. TRADE RECEIVABLES (CONTINUED)

An aged analysis of the trade receivables that are neither individually or collectively considered to be impaired, is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	**27,629,796**	19,410,444
Past due but not impaired		
— Less than 3 months past due	**2,611,453**	3,189,885
— 3 to 6 months past due	**547,978**	677,700
— Over 6 months past due	**1,094,318**	1,469,511
	31,883,545	24,747,540

Receivables that were neither past due nor impaired relate to some customers for whom there was no recent history of default.

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	
		2013	2012
	Note	***RMB'000***	*RMB'000*
At 1 January		**816,084**	542,036
Impairment loss recognised	6	**(19,260)**	265,661
Acquisitions of subsidiaries		**691**	14,575
Amount written off as uncollectible		**(31,362)**	(6,200)
Exchange realignment		**(20)**	12
At 31 December		**766,133**	816,084

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB48,703,000 (2012: RMB80,138,000) with a carrying amount before provision of RMB53,623,000 (2012: RMB81,047,000). 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.

24. TRADE RECEIVABLES (CONTINUED)

	Group	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables denominated in:		
United States dollars	**1,054,398**	1,475,698
Euros	**171,805**	180,970
Swiss franc	**—**	97,946
Singapore dollars	**88,742**	38,183
Japanese yen	**5,893**	9,108
Hong Kong dollars	**6,974**	2,059
Australian dollars	**9,892**	333
Great Britain pounds	**44,975**	102
Canadian dollars	**3,954**	—
Malaysian dollars	**15,672**	—
Turkish lira	**13,723**	—
	1,416,028	1,804,399

The amounts due from the related parties of the Group included in the trade receivables can be analysed as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
CSR Group and its subsidiaries, excluding the Group (the "CSRG Group")	**64,959**	98,966
Joint ventures	**52,617**	480,930
Associates	**185,871**	300,252
	303,447	880,148

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 33 below.

25. BILLS RECEIVABLE

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Within 6 months	**6,196,202**	3,735,597

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	
	2013	2012
	RMB'000	*RMB'000*
Bank acceptance bills	**3,658,706**	2,780,496
Commercial acceptance bills	**2,537,496**	955,101
	6,196,202	3,735,597

The amounts due from the related parties of the Group included in bills receivable can be analysed as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
CSRG Group	**29,000**	2,500

The details of the above bills receivable pledged to secure general banking facilities granted to the Group are set out in note 33 below.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Prepayments	**4,875,717**	5,055,270	**—**	—
Deposits and other receivables	**3,581,747**	3,002,916	**9,724,365**	11,091,660
	8,457,464	8,058,186	**9,724,365**	11,091,660

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Movements in provision for impairment of prepayments, deposits and other receivables are as follows:

		Group	
	Note	**2013** **RMB'000**	2012 RMB'000
At 1 January		**138,406**	151,878
Impairment loss recognised/(reversed)	6	**15,987**	(21,229)
Acquisitions of subsidiaries		**—**	9,553
Written off		**(2,504)**	(1,796)
At 31 December		**151,889**	138,406

The amounts due from the related parties included in the prepayments, deposits and other receivables can be analysed as follows:

	Group		Company	
	2013 **RMB'000**	2012 RMB'000	**2013** **RMB'000**	2012 RMB'000
CSRG Group	**3,097**	—	**—**	—
A joint venture	**3,402**	14,485	**—**	—
An associate	**—**	—	**—**	254
Subsidiaries	**—**	—	**—**	11,089,788
	6,499	14,485	**—**	11,090,042

Except for the balances due from subsidiaries which bear interest at relevant market rates, the balances due from related parties are unsecured, interest-free and have no fixed terms of repayment.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013 **RMB'000**	2012 RMB'000
Listed equity investments, at market value		
Hong Kong	**6,746**	7,346
The PRC	**—**	—
	6,746	7,346

The above equity investments at 31 December 2013 were classified as held for trading. Fair value losses of RMB383,000 were recognised in profit or loss for the year ended 31 December 2013 (2012: RMB1,221,000).

28. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2013 RMB'000	2012 RMB'000
Forward currency contracts	4,243	2,243

The carrying amounts of the derivative financial instruments are the same as their fair values.

CSR Meishan Co., Ltd., a subsidiary of the Group, has entered into two forward currency contracts to manage its exchange rate exposure. The forward currency contract is not designated for hedge purposes and is measured at fair value through profit or loss.

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Cash and bank balances	16,400,137	15,044,694	3,288,862	2,373,099
Less: Pledged time deposits	(1,495,037)	(547,429)	(1,008,628)	(4,367)
Cash and cash equivalents in the consolidated statement of financial position	14,905,100	14,497,265	2,280,234	2,368,732
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(896,396)	(45,000)		
Cash and cash equivalents in the consolidated statement of cash flows	14,008,704	14,452,265		
Cash and bank balances and time deposits denominated in				
— RMB	15,442,463	13,718,302	3,288,568	2,372,386
— United States dollars	340,230	553,176	110	531
— Hong Kong dollars	202,029	416,907	—	—
— Malaysia Ringgit	123,312	—	–	—
— South African rand	101,198	199,858	—	—
— Japanese Yen	71,822	—	–	—
— Euros	62,726	47,674	184	182
— Singapore dollars	21,240	57,272	—	—
— Other currencies	35,117	51,505	—	—
	16,400,137	15,044,694	3,288,862	2,373,099

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 balances and time 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 33 below.

30. TRADE PAYABLES

An aged analysis of trade payables at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Within 6 months	**28,989,178**	23,305,932
6 months to 1 year	**1,998,692**	1,857,556
Over 1 year	**810,256**	1,551,369
	31,798,126	26,714,857

The trade payables are non-interest-bearing and are normally settled on six-month terms.

	Group	
	2013	2012
	RMB'000	*RMB'000*
Trade payables denominated in:		
Japanese yen	**73,855**	280,318
Great Britain pounds	**5,178**	6,497
Malaysian ringgit	**3,335**	6,178
United States dollars	**97,377**	4,421
Euros	**847,747**	3,320
Swiss franc	**106,629**	2,817
Australian dollars	**2,283**	2,125
Canadian dollars	**14,458**	1,727
Hong Kong dollars	**173,117**	7
South African rand	**262**	—
Turkish lira	**59**	—
	1,324,300	307,410

The amounts due to the related parties of the Group included in the trade payables can be analysed as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
CSRG Group	**55,702**	13,586
Joint ventures	**109,016**	105,092
	164,718	118,678

The above balances are unsecured, interest-free and repayable on similar credit terms to those offered by major suppliers of the Group.

31. BILLS PAYABLE

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

	2013 *RMB'000*	2012 *RMB'000*
Within 6 months	**13,574,959**	12,948,103

The amounts due to the related parties of the Group included in bills payable can be analysed as follows:

	2013 *RMB'000*	2012 *RMB'000*
CSRG Group	**17,766**	7,100

The above balances are interest-free and repayable on similar credit terms to those offered by major suppliers of the Group.

32. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 *RMB'000*	2012 *RMB'000*	2013 *RMB'000*	2012 *RMB'000*
Other payables	**3,419,577**	3,136,189	**4,837,645**	6,277,004
Advances from customers	**7,141,790**	7,271,776	**—**	—
Accruals	**1,962,176**	1,521,596	**168,418**	101,509
	12,523,543	11,929,561	**5,006,063**	6,378,513

The amounts due to the related parties included in other payables, advances from customers and accruals can be analysed as follows:

	2013 *RMB'000*	2012 *RMB'000*
CSRG Group	**362,071**	135,419
A Joint venture	**100,077**	554,545
	462,148	689,964

The above balances are unsecured, interest-free and have no fixed terms of repayment.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2013			2012		
	Effective interest rate per annum (%)	**Maturity**	***RMB'000***	Effective interest rate per annum (%)	Maturity	*RMB'000*
Current						
Bank loans						
— Secured	**3.00-6.60**	**2014**	**134,570**	4.26-8.53	2013	578,201
— Unsecured	**2.00-6.60**	**2014**	**4,161,976**	0.35-6.89	2013	3,901,047
Short term bonds						
— Unsecured	**4.8**	**2014**	**2,000,000**	4.38	2013	2,000,000
Other loans						
— Secured	**Interest Free**	**2014**	**6,185**	—	—	—
— Unsecured	**Interest Free-6.00**	**2014**	**773,000**	6.00	2013	8,000
Current portion of long term bank loans						
— Secured	**3.31-6.98**	**2014**	**212,255**	1.89-6.98	2013	59,081
— Unsecured	**4.20-7.00**	**2014**	**312,508**	interest-free-6.88	2013	45,268
Current portion of long term bonds						
— Unsecured	**—**	**–**	**—**	4.08	2013	2,000,000
Current portion of other loans						
— Secured	**5.94**	**2014**	**5,000**	—	—	—
— Unsecured	**Interest Free**	**2014**	**798**	interest-free	2013	4,000
			7,606,292			8,595,597
Non-current						
Bank loans						
— Secured	**0.20-6.56**	**2015-2035**	**376,515**	0.20-6.98	2014-2016	285,446
— Unsecured	**Interest Free-7.00**	**2015-2017**	**188,599**	interest-free-7.00	2014-2017	436,930
Long term bond						
— Unsecured	**4.70-5.00**	**2018-2023**	**3,000,000**	—	—	—
Other loans						
— Secured	**—**	**–**	**—**	6.49	2014	5,000
— Unsecured	**Interest Free**	**2015-2016**	**3,397**	—	—	—
			3,568,511			727,376
			11,174,803			9,322,973

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Company

	2013			2012		
	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**	4.51-7.22	2013	495,000
Short term bonds						
— Unsecured	**4.8**	**2014**	**2,000,000**	4.38	2013	2,000,000
Current portion of long term bank loans						
— Unsecured	**4.2**	**2014**	**300,000**	—	—	—
Current portion of long term bonds						
— Unsecured	**—**	**—**	**—**	4.08	2013	2,000,000
			4,550,000			4,495,000
Non-current						
Bank loans						
— Unsecured	**—**	**—**	**—**	4.20	2014	300,000
Long term bonds						
— Unsecured	**4.7-5.0**	**2018-2023**	**3,000,000**	—	—	—
			3,000,000			300,000
			7,550,000			4,795,000

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**4,821,309**	4,583,597	**2,550,000**	495,000
In the second year	**437,857**	521,202	**—**	300,000
In the third to fifth years, inclusive	**119,258**	192,928	**—**	—
Beyond five years	**7,999**	8,246	**—**	—
	5,386,423	5,305,973	**2,550,000**	795,000
Short term bonds repayable:				
Within one year or on demand	**2,000,000**	2,000,000	**2,000,000**	2,000,000
Long term bonds repayable:				
Within one year or on demand	**—**	2,000,000	**—**	2,000,000
More than one year	**3,000,000**	—	**3,000,000**	—
	3,000,000	2,000,000	**3,000,000**	2,000,000
Other borrowings repayable:				
Within one year or on demand	**784,983**	12,000	**—**	—
In the second year	**2,798**	5,000	**—**	—
In the third to fifth years, inclusive	**599**	—	**—**	—
	788,380	17,000	**—**	—

The above secured bank loans and other banking facilities were secured by certain assets and their carrying values are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Property, plant and equipment	**52,630**	99,142	**—**	—
Prepaid land lease payments	**—**	31,063	**—**	—
Time deposits and bank balances	**600**	—	**—**	—
Bills receivable	**13,300**	600	**—**	—
Trade receivables	**5,000**	14,901	**—**	—
	71,530	145,706	**—**	—

Interest-bearing bank and other borrowings denominated in:

	Group	
	2013	2012
	RMB'000	*RMB'000*
United States dollars	**842,293**	89,975
Great British pounds	**94,541**	69,707
Hong Kong dollars	**640,777**	991,655
	1,577,611	1,151,337

34. DEFINED 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 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.

The movements in the supplementary pension subsidies and early retirement benefit obligations recognised in the statement of financial position are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At beginning of the year	**1,575,650**	1,719,100	**15,320**	13,820
Interest cost recognised in administrative expenses	**59,710**	12,310	**710**	3,850
Re-measurement on defined benefit obligations	**(131,970)**	—	**9,860**	—
Amount paid	**(137,030)**	(155,760)	**(4,033)**	(2,350)
At end of year	**1,366,360**	1,575,650	**21,857**	15,320

The provision for supplementary pension subsidies and early retirement benefits recognised in the statement of financial position is determined as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Present value of unfunded obligations	**1,366,360**	1,543,410	**21,857**	21,410
Unrecognised net actuarial gain	**—**	32,240	**—**	(6,090)
Defined benefit liabilities recognised	**1,366,360**	1,575,650	**21,857**	15,320
Portion classified as current liabilities	**(133,410)**	(138,200)	**(2,702)**	(2,240)
Non-current portion	**1,232,950**	1,437,450	**19,155**	13,080

34. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

The net expenses recognised in the profit or loss of the Group are analysed as follows:

		Group	
	Note	2013 RMB'000	2012 RMB'000
Interest cost	6	**59,710**	12,310

The above employee benefit obligations were determined based on actuarial valuation performed by Towers Perrin, 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 actuarial cost method and the material actuarial assumptions used in valuing these obligations are as follows:

	2013 %	2012 %
Discount rate adopted	**4.75%**	3.50%
Healthcare cost trend	**8.00%**	8.00%
Cost of living adjustment for early retirees	**8.00%**	8.00%

The interest cost is charged in administrative expenses.

A one percentage point change in the assumed rate of increase in healthcare cost would have the following effects:

	Group	
	2013 RMB'000	2012 RMB'000
Increase in interest cost	**980**	860
Decrease in interest cost	**(860)**	(750)
Increase in the defined benefit obligations	**20,620**	24,500
Decrease in the defined benefit obligations	**(18,190)**	(21,330)

35. PROVISION FOR WARRANTIES

	Note	Group 2013 RMB'000	Group 2012 RMB'000
At beginning of year		**1,451,682**	1,134,366
Charged for the year	6	**1,065,748**	960,771
Utilised during the year		**(774,949)**	(643,455)
At end of year		**1,742,481**	1,451,682
Portion classified as :			
Current liabilities		**595,196**	479,453
Non-current liabilities		**1,147,285**	972,229

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.

36. GOVERNMENT GRANTS

	Note	Group 2013 RMB'000	Group 2012 RMB'000	Company 2013 RMB'000	Company 2012 RMB'000
At beginning of year		**1,198,621**	969,668	**—**	—
Received during the year		**1,958,670**	780,125	**—**	—
Acquisitions of subsidiaries		**—**	18,095	**—**	—
Recognised as other income and gains during the year	5	**(928,967)**	(569,267)	**—**	—
Recognised as revenue during the year		**(178,460)**	—	**—**	—
At end of year		**2,049,864**	1,198,621	**—**	—
Current portion		**(234,832)**	(271,407)	**—**	—
Non-current portion		**1,815,032**	927,214	**—**	—

Government grants received are mainly for the purpose of research and development, investment in property, plant and equipment and prepaid land lease payments from the local government for encouraging the Group to develop.

37. SHARE OPTION SCHEME

The expense recognised for the share option scheme for the years ended 31 December 2013 and 2012 is as follows:

	2013 ***RMB'000***	2012 *RMB'000*
Equity-settled share option expense	**(10,858)**	54,040

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 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 Company.

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:

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.

37. SHARE OPTION SCHEME (CONTINUED)

The fair value of the share options in 2011 was RMB151,010,000, of which the Group reversed a share options expense of RMB40,469,000 due to the lapse forthwith of the first batch of share options and recognised a share options expense of RMB29,611,000 due to the second and third batch of share options during the year ended 31 December 2013 (2012: RMB54,040,000 recognised for the total share options).

The fair value of share options granted is estimated at the date of the grant using the Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0.60%
Expected volatility (%)	52.68%–56.51%
Market price (RMB/share)*	7.09
Risk-free interest rate (%)	3.481%–3.694%
Expected life (years)	5–7
Exercise price (RMB/share)	5.43

* Market price is the closing price at the grant date.

The expected life of the share options is based on historical data of the past three years and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of the fair value.

As the 2012 annual results of the Group 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. Pursuant to relevant terms and requirements under the Share Option Scheme, such share options not becoming effective lapsed forthwith and were cancelled by the Company on 26 April 2013. As at the end of 2013, there are 12,201,667 share options granted expired.

	2013 Number	2012 Number
Outstanding at the beginning of the year	**36,605,000**	36,605,000
Expired during the year	**(12,201,667)**	—
Outstanding at the end of the year	**24,403,333**	36,605,000

On 31 December 2013, the expiry dates of the un-exercised share option vary from 6 years to 7 years after the grant date.
CSR CORPORATION LIMITED

38. EQUITY

Share capital	Company 2013 Number of shares	Company 2013 RMB'000 Nominal value	Company 2012 Number of shares	Company 2012 RMB'000 Nominal value
Registered and fully paid				
— State-owned shares of RMB1.00 each	**7,889,406,857**	**7,889,407**	7,883,772,800	7,883,773
— A shares of RMB1.00 each	**3,889,593,143**	**3,889,593**	3,895,227,200	3,895,227
— H shares of RMB1.00 each	**2,024,000,000**	**2,024,000**	2,024,000,000	2,024,000
	13,803,000,000	**13,803,000**	13,803,000,000	13,803,000

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.

38. EQUITY (CONTINUED)

Equity movements

	Company							
	Share capital *RMB'000*	Capital reserve *RMB'000*	Share option reserve *RMB'000*	Defined benefit obligations *RMB'000*	Common statutory reserve fund *RMB'000*	Retained earnings *RMB'000*	Proposed final dividends *RMB'000*	Total *RMB'000*
At 1 January 2012	11,840,000	7,222,642	36,066	—	496,201	655,187	2,484,540	22,734,636
Profit for the year	—	—	—	—	—	2,701,216	—	2,701,216
Transfer from profit	—	—	—	—	269,800	(269,800)	—	—
Dividends distributed to the shareholders	—	—	—	—	—	—	(2,484,540)	(2,484,540)
Capital contribution from shareholders	1,963,000	6,736,405	—	—	—	—	—	8,699,405
Equity-settled share option arrangement	—	—	54,040	—	—	—	—	54,040
Proposed final 2012 dividend	—	—	—	—	—	(1,242,270)	1,242,270	—
At 31 December 2012	13,803,000	13,959,047	90,106	—	766,001	1,844,333	1,242,270	31,704,757
Profit for the year	—	—	—	—	—	2,779,528	—	2,779,528
Re-measurement gains on defined benefit obligations	—	—	—	(9,857)	—	—	—	(9,857)
Transfer from profit	—	—	—	—	277,984	(277,984)	—	—
Dividends distributed to the shareholders	—	—	—	—	—	—	(1,242,270)	(1,242,270)
Equity-settled share option arrangement	—	—	(10,858)	—	—	—	—	(10,858)
Proposed final 2013 dividend	—	—	—	—	—	(1,242,270)	1,242,270	—
At 31 December 2013	13,803,000	13,959,047	79,248	(9,857)	1,043,985	3,103,607	1,242,270	33,221,300

39. BUSINESS COMBINATION

On 2 July 2012, Zhuzhou Times New Material Technology Co., Ltd. ("ZTNM"), a subsidiary of the Company, acquired 50% equity interest in Qingdao Huaxuan Environmental Protection and Technology Co., Ltd. ("Qingdao Huaxuan") at a cash consideration of RMB24,067,000. Qingdao Huaxuan changed its name to Qingdao CSR Huaxuan Water Service Co., Ltd. ("CSR Huaxuan"). The fair value of identifiable net assets related to the acquired equity interest was RMB24,472,000. From then, according to the articles of association, CSR Huaxuan became the joint venture of the ZTNM.

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:

	Notes	**Fair value recognised on acquisition CSR Huaxuan** *RMB'000*
Property, plant and equipment	14	17,928
Prepaid land lease payments	15	6,907
Other intangible assets	17	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
Interest-bearing bank and other borrowings		(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		19,206
Goodwill arising on acquisition	16	11,937
		31,143
Satisfied by:		
Acquisition cost		31,143

39. BUSINESS COMBINATION (CONTINUED)

An analysis of the cash flow in respect of the acquisitions of the above subsidiaries is as follows:

	CSR Huaxuan
	RMB'000
Acquisition cost	(31,143)
The fair value of the initial acquired 50% equity interest as at the date of acquisition based on the evaluation results	24,472
Cash consideration in the current year	(6,671)
Cash and bank balance acquired	14,643
Net inflow of cash and cash equivalents included in cash flows from investing activities	7,972
Transaction costs of the acquisition included in cash flows from operating activities	(350)
	7,622

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 RMB96,525,470,000 and RMB5,070,481,000, 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.

40. 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:

	2013 RMB'000	2012 RMB'000
Within one year	**17,056**	29,081
In the second to fifth years, inclusive	**61,454**	58,069
More than five years	**64,015**	61,227
	142,525	148,377

(b) As lessee

The Group leases certain of its land and buildings and items of property, plant and equipment under operating lease arrangements negotiated for terms ranging from 1 to 20 years.

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:

	2013 RMB'000	2012 RMB'000
Within one year	**26,876**	24,830
In the second to fifth years, inclusive	**66,791**	67,569
More than five years	**31,074**	44,883
	124,741	137,282

40. COMMITMENTS (CONTINUED)

CAPITAL COMMITMENTS

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

	2013 RMB'000	2012 RMB'000
Contracted, but not provided for:		
— Property, plant and equipment	**2,432,890**	806,786
— Prepaid land lease payments	**30,086**	156,323
— Other intangible assets	**14,051**	111,997
— Investment in setting up new entities	**2,441,481**	16,616
	4,918,508	1,091,722
Authorised, but not contracted for:		
— Property, plant and equipment	**1,197,634**	1,887,597
— Prepaid land lease payments	**10,500**	—
— Other intangible assets	**13,488**	16,256
	1,221,622	1,903,853

In addition, the Group's share of the joint ventures' capital commitments, which are not included in the above, is as follows:

	2013 RMB'000	2012 RMB'000
Contracted, but not provided for:		
— Property, plant and equipment	**18,000**	45,145

41. CONTINGENT LIABILITIES

As at 31 December 2013 and 2012, 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	
	2013 RMB'000	2012 RMB'000
Guarantees given to banks in connection with facilities granted to: Subsidiaries	**9,649,397**	8,789,901

As at 31 December 2013, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately RMB9,637,259,000 (2012: RMB8,596,964,000).

42. 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	
	2013	2012
	RMB'000	*RMB'000*
(a) Purchases of materials and components from:		
CSRG Group *	**177,527**	173,813
Joint ventures	**602,571**	943,061
An associate	**7,483**	6,811
	787,581	1,123,685
(b) Sale of goods to:		
CSRG Group *	**128,581**	257,535
Joint ventures	**911,282**	951,434
Associates	**355,043**	340,846
	1,394,906	1,549,815
(c) Provision of services to:		
CSRG Group *	**858**	3,077
A joint venture	**2,529**	15,781
	3,387	18,858
(d) Rental of property, plant and equipment from:		
CSRG Group *	**24,063**	20,905
(e) Fee and commission income from:		
CSRG Group *	**1,650**	—

42. RELATED PARTY TRANSACTIONS (CONTINUED)

	Group	
	2013	2012
	RMB'000	*RMB'000*
(f) Compensation of key management personnel of the Group:		
Short term employee benefits	**9,123**	9,107
Post-employment benefits	**513**	432
Total compensation paid/payable to key management personnel	**9,636**	9,539
Number of share options to key management personnel (unit: share)	**1,069,466**	1,974,200

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. Further details of directors', supervisors and the chief executive's emoluments are included in note 8 to the financial statements.

The related expense on share options to key management personnel reversed in 2013 was RMB467,000 (2012: RMB2,819,000 recognised).

(g) 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:

	2013	2012
	RMB'000	*RMB'000*
Sale of goods to:		
Joint ventures	**201,452**	262,725
Associates	**—**	755,024
CSRG Group	**—**	194
	201,452	1,017,943
Purchase of materials and components from:		
Joint ventures	**734,959**	31,217
CSRG Group	**1,809**	232
	736,768	31,449

42. RELATED PARTY TRANSACTIONS (CONTINUED)

(h) Transactions with state-owned entities in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organisations (collectively the "State-owned Entities"). During the year, the Group entered into extensive transactions with these State-owned Entities including, but not limited to, sales and purchases. As explained in note 4 to the financial statements, the China Railway Corporation and entities invested and managed by local railway departments are identified as a single State-owned Entity by the directors of the Company, and the revenue from the State-owned Entity amounted to RMB39,209,182,000 for the year ended 31 December 2013 (2012: RMB37,480,731,000).

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

* Such related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

43. FINANCIAL INSTRUMENTS BY CATEGORY

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 2013

Financial assets

	Group			
	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Financial assets at fair value through profit or loss *RMB'000*	Total *RMB'000*
Available-for-sale investments	—	708,842	—	708,842
Financial assets at fair value through profit or loss	—	—	6,746	6,746
Derivative financial instruments	—	—	4,243	4,243
Trade receivables	34,120,810	—	—	34,120,810
Bills receivable	6,196,202	—	—	6,196,202
Financial assets included in prepayments, deposits and other receivables	2,967,703	—	—	2,967,703
Pledged deposits	1,495,037	—	—	1,495,037
Cash and cash equivalents	14,905,100	—	—	14,905,100
Financial assets included in other non-current assets	2,705,048	—	—	2,705,048
Loans and advances to customers	30,000	—	—	30,000
	62,419,900	708,842	10,989	63,139,731

43. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

Financial liabilities

	Group Financial liabilities at amortised cost *RMB'000*
Trade payables	31,798,126
Bills payable	13,574,959
Financial liabilities included in other payables and accruals	3,627,326
Interest-bearing bank and other borrowings	11,174,803
Due to customers	33,157
	60,208,371

As at 31 December 2013

Financial assets

	Company		
	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Available-for-sale investments	—	678	678
Loans to subsidiaries *(note 18)*	1,035,000		1,035,000
Financial assets included in prepayments, deposits and other receivables	9,724,365	—	9,724,365
Pledged deposits	1,008,628	—	1,008,628
Cash and cash equivalents	2,280,234	—	2,280,234
	14,048,227	678	14,048,905

Financial liabilities

	Company Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals	4,969,877
Interest-bearing bank and other borrowings	7,550,000
	12,519,877

43. FINANCIAL INSTRUMENTS BY CATEGORY(CONTINUED)

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 2012

Financial assets

	Group			
	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Financial assets at fair value through profit or loss *RMB'000*	Total *RMB'000*
Available-for-sale investments	—	526,630	—	526,630
Financial assets at fair value through profit or loss	—	—	7,346	7,346
Derivative financial instruments	—	—	2,243	2,243
Trade receivables	26,618,776	—	—	26,618,776
Bills receivable	3,735,597	—	—	3,735,597
Financial assets included in prepayments, deposits and other receivables	2,112,257	—	—	2,112,257
Pledged deposits	547,429	—	—	547,429
Cash and cash equivalents	14,497,265	—	—	14,497,265
Financial assets included in other non-current assets	950,107	—	—	950,107
	48,461,431	526,630	9,589	48,997,650

Financial liabilities

	Group Financial liabilities at amortised cost *RMB'000*
Trade payables	26,714,857
Bills payable	12,948,103
Financial liabilities included in other payables and accruals	3,261,270
Financial liabilities included in other non-current liabilities	10,060
Interest-bearing bank and other borrowings	9,322,973
	52,257,263

43. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

As at 31 December 2012

Financial assets

	Company		
	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Available-for-sale investments	—	678	678
Loans to subsidiaries *(note 18)*	179,000	—	179,000
Financial assets included in prepayments, deposits and other receivables	11,091,660	—	11,091,660
Pledged deposits	4,367	—	4,367
Cash and cash equivalents	2,368,732	—	2,368,732
	13,643,759	678	13,644,437

Financial liabilities

	Company Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals	6,354,089
Interest-bearing bank and other borrowings	4,795,000
	11,149,089

44. FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

The fair values of listed equity investments and financial assets at fair value through profit or loss are based on quoted market prices.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. But short term and long term bonds are included in interest-bearing bank and other borrowings, and the fair value of the short term and long term bonds is estimated using quoted market prices. The carrying amounts and fair values of the Group's interest-bearing bank and other borrowings as at 31 December 2013 were RMB11,174,803,000 (2012: RMB9,322,973,000) and RMB11,180,566,000 (2012: RMB9,332,595,000 respectively. The carrying amounts and fair values of the Company's interest-bearing bank and other borrowings were RMB7,550,000,000 (2012: RMB4,795,000,000) and RMB7,320,497,000 (2012: RMB4,781,289,000), respectively.

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

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

44. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

Financial assets measured at fair value:

Group

As at 31 December 2013

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Available-for-sale investments:				
Equity investments	**669,928**	**—**	**—**	**669,928**
Derivative financial instruments:				
Forward currency contracts	**4,243**	**—**	**—**	**4,243**
Equity investments at fair value through profit or loss	**6,746**	**—**	**—**	**6,746**
	680,917	**—**	**—**	**680,917**

As at 31 December 2012

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Available-for-sale investments:				
Equity investments	493,553	—	—	493,553
Derivative financial instruments:				
Forward currency contracts	2,243	—	—	2,243
Equity investments at fair value through profit or loss	7,346	—	—	7,346
	503,142	—	—	503,142

During the years ended 31 December 2013 and 2012, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

As at 31 December 2013 and 2012, the Company did not hold any financial instruments measured at fair value.

45. 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 Ministry of Railways 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.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

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 2013

	Group				
	Within one year or on demand *RMB'000*	In the second year *RMB'000*	In the third to fifth years, inclusive *RMB'000*	Beyond five years *RMB'000*	Total *RMB'000*
Interest-bearing bank and other borrowings	**7,994,989**	**563,646**	**276,219**	**1,893,302**	**10,728,156**
Trade payables	**31,798,126**	**—**	**—**	**—**	**31,798,126**
Bills payable	**13,574,959**	**—**	**—**	**—**	**13,574,959**
Financial liabilities included in other payables and accruals	**3,627,326**	**—**	**—**	**—**	**3,627,326**
	56,995,400	**563,646**	**276,219**	**1,893,302**	**59,728,567**

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

As at 31 December 2012

	Group				
	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Beyond five years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	8,785,416	555,062	202,906	8,527	9,551,911
Trade payables	26,714,857	—	—	—	26,714,857
Bills payable	12,948,103	—	—	—	12,948,103
Financial liabilities included in other payables and accruals	3,261,270	—	—	—	3,261,270
Financial liabilities included in other non-current liabilities	—	8,064	1,996	—	10,060
	51,709,646	563,126	204,902	8,527	52,486,201

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).

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		RMB'000
Year ended 31 December 2013	**100**	**(36,037)**
	(100)	**36,037**
Year ended 31 December 2012	100	(36,916)
	(100)	36,916

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 tax (due to changes in the fair value of 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 relative sensitivity is not disclosed.

	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)**

45. 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 2012		
If Renminbi strengthens against Euro	9.2	20,474
If Renminbi weakens against Euro	(9.2)	(20,474)
If Renminbi strengthens against US dollar	1.1	20,409
If Renminbi weakens against US dollar	(1.1)	(20,409)

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.

45. 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 2013 and 2012 were as follows:

	Group As at 31 December	
	2013 ***RMB'000***	2012 *RMB'000*
Interest-bearing bank and other borrowings	**11,174,803**	9,322,973
Trade payables	**31,798,126**	26,714,857
Bills payable	**13,574,959**	12,948,103
Other payables and accruals	**12,523,543**	11,929,561
Less: Cash and cash equivalents and pledged deposits	**(16,400,137)**	(15,044,694)
Net debt	**52,671,294**	45,870,800
Total capital	**36,559,903**	32,755,427
Capital and net debt	**89,231,197**	78,626,227
Gearing ratio	**59%**	58%

46. EVENTS AFTER THE REPORTING PERIOD

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). Further details are disclosed in the announcement of the Company dated 12 December 2013 disclosed on the websites of SSE and the Hong Kong Stock Exchange. As of the date of approval of the financial statements, the acquisition has yet to satisfy certain terms of delivery, including but not limited to obtaining approvals from China Securities Regulatory Commission, State-owned Assets Supervision and Administration Commission of the State Council, and other relevant supervisory organizations with regard to the transaction. The transaction is expected to be completed in 2014.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2014.

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
"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)
"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)
"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 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)
"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
"Ministry of Railways"	the former Ministry of Railways of the People's Republic of China
"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 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, Chen Dayang
INDEPENDENT NON-EXECUTIVE DIRECTORS	Zhao Jibin, Yang Yuzhong Chen Yongkuan, Dai Deming, Tsoi, David
AUTHORIZED REPRESENTATIVES	Liu Hualong, 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
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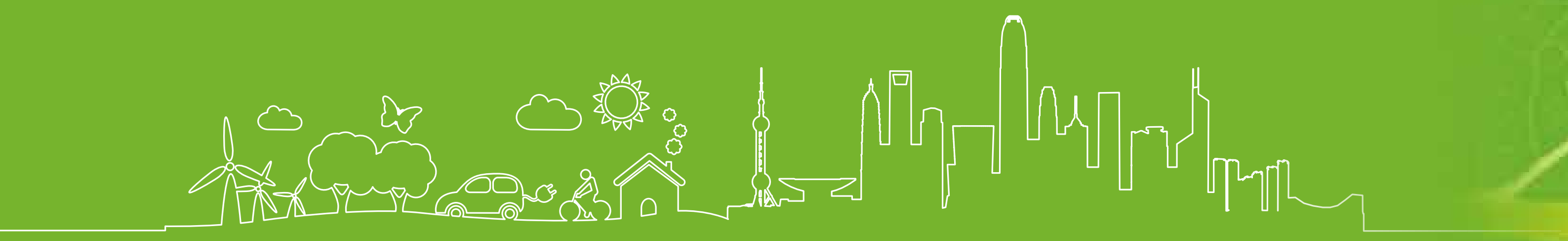
WEBSITE	www.csrgc.com.cn
E-MAIL ADDRESS	csr@csrgc.com
H SHARE REGISTRAR	Computerhsare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

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	Ernst & Young Hua Ming Certified Public Accountants (LLP) Level 16, Ernst & Young Tower (Tower E3), Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, the PRC
INTERNATIONAL INDEPENDENT AUDITORS	Ernst & Young Certified Public Accountants 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
LEGAL ADVISERS	As to Hong Kong laws: Baker & McKenzie 23rd Floor, One Pacific Place, 88 Queensway, Central, Hong Kong As to PRC laws: Jia Yuan Law Firm F408 Ocean Plaza, 158 Fuxing Men Nei Avenue, Beijing, the PRC



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