中国南车

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

Stock Code: 1766

2011 Annual Report

CSR's Way of Humanity Care

Comfort Safety Reliability

Important Notice

(1) The board of directors (the "Board") and 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 report and they will assume joint and several liabilities for the truthfulness, accuracy and completeness of the contents disclosed herein.

(2) All Directors of the Company attended the Board meeting.

(3) Ernst & Young Hua Ming, Certified Public Accountants, have 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, have 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) Zhao Xiaogang, the Chairman of the Company, Zhan Yanjing, the person-in-charge of accounting affairs, and Xu Weifeng, the head of the Accounting Department, warrant the truthfulness and completeness of the financial statements in this annual report.

Contents

CSR Profile

BRAND INFLUENCE

CSR Corporation Limited is one of the largest rolling stock manufacturer in the PRC and one of the most influential rolling stock manufacturers and all-round solution providers in the world. The Company is principally engaged in research, development, manufacturing, refurbishment, sales and leasing of locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key components, as well as other extended businesses that utilise proprietary rolling stock technologies, with a comprehensive system covering independent development, large-scale manufacturing and standardised services. CSR has 17 direct wholly-owned and controlling subsidiaries, located in 10 provinces (including municipalities directly under the central government) in Mainland China and Hong Kong Special Administrative Region, with over 80,000 employees and RMB92.8 billion of total assets. The rolling stocks and equipment researched, developed and manufactured by CSR provide services to China's railway and urban subways, and accounted for over 50% of the market share as the leader of the rolling stock production sector in China. With its pace of internationalization speeded up, the Company has been progressing into more than 60 countries and regions world-wide and has driven the development of the global rolling stock industry by realizing diversification and penetration of markets.

RAPID GROWTH

Amid stable economic development, demand in the rolling stock market and rapid growth in emerging and strategic industries in China, CSR, by virtue of its pool of technologies and operating ability, has maintained solid economic growth and profit year-on-year as evidenced by a 31.24% compound annual growth rate in revenue and a 52.60% compound annual growth rate in profit after tax for the past five years. The revenue for 2011 increased by 23.99% year-on-year to RMB79.517 billion.

LEADING THE TREND

As a rolling stock solution provider, CSR is dedicated to meet the specific needs of its customers, through innovation and customisation.

In 2011, the mass production of CSR's self-designed CRH380A, the next generation of high-speed MUs is also of high quality, which has become the essentials of Beijing-Shanghai High-speed Railways with its reliability reaching a world level. Launching trial railway operations of a higher speed of 500 km per hour, CSR aims at innovations in order to lead the future of high-speed MUs in China.

As for heavy-hauling locomotives, CSR's high-powered electric locomotives and internal-combustion locomotives are widely applied in freight railways in most regions in China, accounting for over 50% of the total number of locomotives in operation. Their exceptional hauling capacity, being the major engine of China's railway transportation, has greatly boosted the growth of domestic economy.

With respect to rapid transit vehicles, by leveraging its technically sophisticated, high quality, energy-efficient and environmental friendly rapid transit vehicles, CSR pioneered a green transportation mode. In 2011, CSR's metro cars enjoyed a market share of approximately 70% in domestic market with over 40 rapid transit metro lines of 17 cities in China labelled as "Made by CSR". Its first commercial self-developed medium and low-speed maglev train has been put into operation. In addition, CSR's high-end products such as its proprietary Type A metro cars and articulated light rail cars have been exported to the regions including Europe and Southeast Asia.

SEEKING MUTUAL BENEFITS WITH CREDIBILITY

The principal businesses of CSR encompass four of the seven new strategic industries in China, namely high-end equipment manufacturing, new energy, new energy-driven vehicles and new materials. It is the fundamental responsibility of CSR to provide eco-friendly, safe and reliable products and high-quality services to its customers and the society at large. Bearing the philosophy of credibility leading to mutual benefits, CSR has always strongly upheld its responsibility by honoring its commitments to customers, shareholders, employees and society in a sincere and professional manner.

Results Highlights

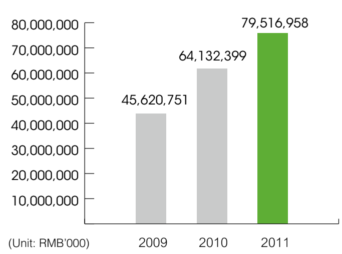
The following table sets out the major financial indicators:

Currency: RMB

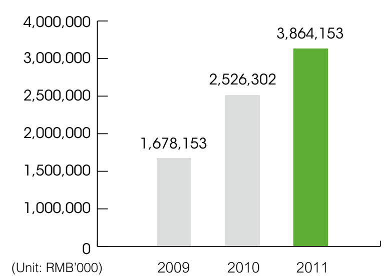
Item	2011	2010	Increase/Decrease %
Revenue *(RMB million)*	**79,517**	64,132	23.99
Profit after tax *(RMB million)*	**4,743**	3,244	46.22
Profit attributable to owners of the parent for the year *(RMB million)*	**3,864**	2,526	52.96
Basic earnings per share *(cent/share)*	**32.60**	21.30	

Item	2011	2010	Increase/Decrease %
Total assets *(RMB million)*	**92,786**	73,761	25.79
Total liabilities *(RMB million)*	**64,698**	49,892	29.68
Total equity *(RMB million)*	**28,088**	23,869	17.68
Including: equity attributable to owners of the parent *(RMB million)*	**22,562**	19,268	17.10
Shareholders' interests per share *(RMB/share)*	**1.91**	1.63	

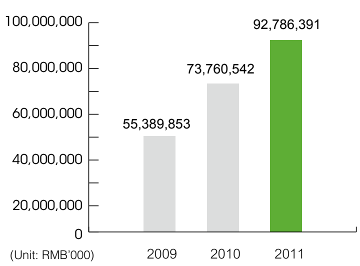
Revenue



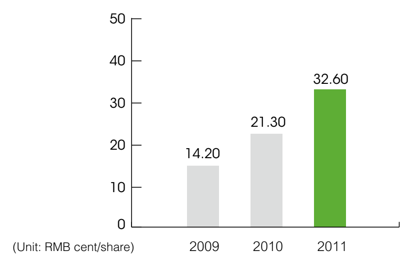
Profit attributable to owners of the parent



Total assets



Earnings per share

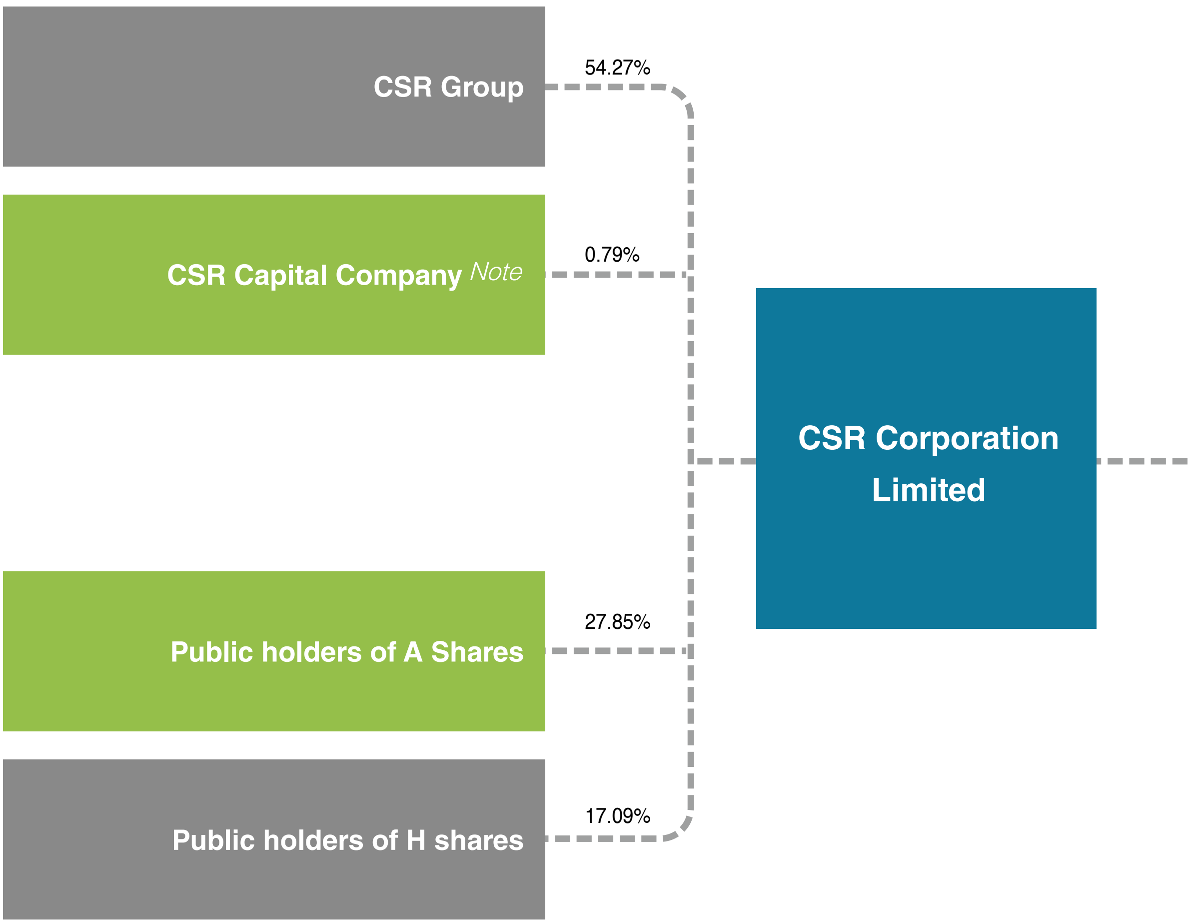


Financial Summary

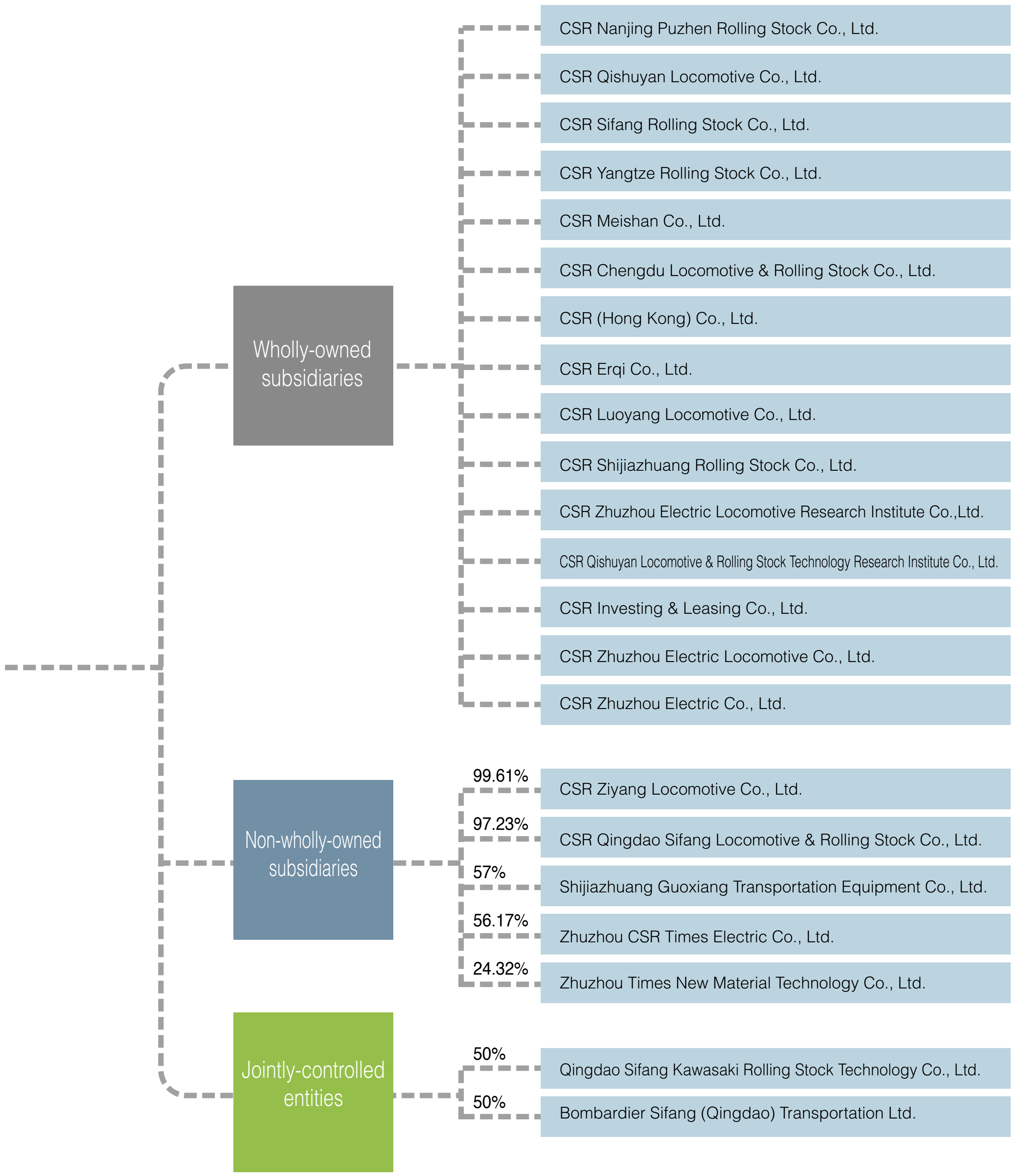
	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**79,516,958**	64,132,399	45,620,751	35,092,796	26,803,519
Cost of sales	**64,646,619**	53,145,221	38,453,741	29,278,774	22,785,003
Gross profit	**14,870,339**	10,987,178	7,167,010	5,814,022	4,018,516
Other income and gains	**818,601**	620,536	695,961	525,131	430,140
Selling and distribution costs	**2,734,686**	1,989,254	1,132,661	787,350	641,067
Administrative expenses	**7,017,068**	5,799,821	4,263,779	3,382,117	2,633,676
Other expenses, net	**169,354**	452,279	144,179	13,102	103,823
Finance costs	**993,739**	318,368	264,758	430,630	314,448
Share of profits and losses of associates and jointly-controlled entities	**668,034**	611,794	343,743	178,374	192,318
PROFIT BEFORE TAX	**5,442,127**	3,659,786	2,401,337	1,930,532	947,960
Tax	**698,887**	415,901	285,155	244,929	73,235
PROFIT FOR THE YEAR	**4,743,240**	3,243,885	2,116,182	1,685,603	874,725
Attributable to:					
Owners of the parent	**3,864,153**	2,526,302	1,678,153	1,384,240	613,031
Non-controlling interests	**879,087**	717,583	438,029	301,363	261,694
	4,743,240	3,243,885	2,116,182	1,685,603	874,725
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**92,786,391**	73,760,542	55,389,853	45,516,251	32,690,918
TOTAL LIABILITIES	**64,698,474**	49,891,958	35,034,753	26,873,674	26,309,991
TOTAL NON-CONTROLLING INTERESTS	**5,526,287**	4,600,912	2,996,310	2,621,449	2,069,906

Corporate Structure Chart

As at 31 December 2011, the shareholding structure of the Company and its principal subsidiaries and jointly-controlled entities are as follows:



Note: CSR Capital Company, formerly known as Beijing Railway Industry Trade Company, completed the registration with the industrial and commercial bureau for change of its name in March 2011.


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) Co., Ltd.
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 Investing & Leasing Co., Ltd.
CSR Zhuzhou Electric Locomotive Co., Ltd.
CSR Zhuzhou Electric Co., Ltd.
Non-wholly-owned subsidiaries
99.61%
CSR Ziyang Locomotive Co., Ltd.
97.23%
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.
57%
Shijiazhuang Guoxiang Transportation Equipment Co., Ltd.
56.17%
Zhuzhou CSR Times Electric Co., Ltd.
24.32%
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

Despite a number of unfavourable internal and external factors, we still managed to overcome the challenges and achieved sound business performance. Rising to the challenge is what our management team members pride themselves on.

Dear Shareholders,

2011 is a year of unrest. The turmoil brought about by the European and the U.S. debt crisis triggered a formidable global economic outlook. China's economy also suffered from credit tightening due to inflationary pressures, leading to liquidity shortage for business development. China's railway even experienced an arduous year: the Ministry of Railways underwent major change of personnel, and the "7-23 black swan" incident cast a shadow over the PRC railway, particularly the development of high-speed railways. Although it was proven subsequently that the incident is unrelated to MUs, the capital market still had doubts in the future development of high-speed railways, as evidenced by the volatility of our stock price.

Despite a number of unfavourable internal and external factors, we still managed to overcome the challenges and achieved sound business performance. Our revenue grew by 24%. Net profit attributable to owners of the parent surged by 53%, while overseas revenue doubled. Rising to the challenge is what our management team members pride themselves on, and we lived up to the expectations and expectancy of all investors.

The development of low-carbon economy revitalise the recovery of global railway transportation. China's railway formulates middle- to long-term planning as well as subway construction plans in major cities, which not only facilitate the transport system, but also actively promote the development of China's rolling stock industry. In 2011, the head count of passengers of

China's railway reached 1.86 billion, representing a year-on-year increase of 11%, among which the head count of passengers of MUs reached 420 million, representing a year-on-year increase of 126 million persons or 43%. In 2012, the backlog of tens of thousands of people at the stations no longer occurred during the Spring Festival of China, thanks to the imperative role of high-speed railways. During the Spring Festival, Beijing-Shanghai high-speed railway operated 26 additional round-trips, whilst Wuhan-Guangzhou, Zhengzhou-Xi'an, Shanghai-Nanjing and Shanghai-Hangzhou high-speed railway lines played a predominant role in transportation. "Severely overcrowded trains and people at the station as well as scalpers for railway tickets have all been reduced to alleviate the peak season during the Spring Festival," concluded by Ministry of Railways in respect of the situation this year. "Beijing-Shanghai high-speed railway had no traffic overload during the Spring Festival" was the heartful feeling of reporters after having witnessed the same. In early 2012, Premier Wen Jiabao visited CSR and heartily expressed the requirement to ensure product quality together with an unwavering confidence in the development of high-speed railways.

As a State-owned enterprise, our future development is tied to our nation's prosperity. However, the sustainable development of the State's economy depends on enterprises. Europe and the United States both recognize that the real economy is the foundation of a country's development, with the development of the financial sector being interdependent with the real economy. During the NPC and CPPCC this year, the State revised the GDP growth target to 7.5%, aiming at a sustainable and stable growth. We note that the State will emphasize works on accelerating the development transformation while improving the quality and efficiency of economic development. Against this backdrop, I firmly believe that the real economy is a breeding ground for development, particularly true for the seven strategic emerging industries of China that show enormous development potential, for which CSR accounts for four sectors (high-end equipment, new energy, new energy vehicles and new materials), signifying our great potency for future growth.

Currently, on the basis of the railway transportation industry, CSR applies proprietary technology to expand its growth in ten new segments including wind power equipment, electric automobiles, construction machinery, composite materials, engines and electric components (IGBT). These "novel" businesses have been well-developed to become the strongest pillar for CSR's future development. Based in China and engaging in the transit system transportation business, CSR will explore overseas market while looking into other opportunities to step up the implementation of restructuring and operational transform strategies with a view to gradually becoming a competitive solution provider for mechanical and electrical equipment in the world.

Always be grateful to the ones who gave. Shareholders' interests are of the highest priority to CSR according to our operating value. Since listing, CSR distributes dividends every year and has apportioned a quarter of the accrued net profit attributable to owners of the parent to our shareholders. CSR will guarantee investors a fruitful return in the process of its continuous growth.

趙小剛

March 2012


New CSR,
New Creation

Report of Directors

A. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Overall operation in 2011

In 2011, the Company actively catered to market changes by timely adjusting its business strategy with relentless efforts and innovation, thereby outperforming various business indicators and achieving a brilliant start for the development of the "Twelfth Five-year Plan".

(1) Record high operating results.

The Company conscientiously implemented the development strategy to strengthen the operational management and control, with overall production and operation under smooth progress. Revenue increased steadily while operating efficiency improved substantially. In 2011, the Company recorded revenue of RMB79.517 billion, a year-on-year increase of 23.99%. Profit after tax reached RMB4.743 billion, a year-on-year increase of 46.22%. Net profit attributable to owners of the parent amounted to RMB3.864 billion, posting a year-on-year increase of 52.96%. In addition, BST, a joint venture of the Company, recorded revenue of RMB4.258 billion and a net profit of RMB1.204 billion in 2011.

(2) Market expansion reaching a new high.

The Company fully capitalized on its synergies and increased marketing efforts, which achieved satisfactory results. As of 31 December 2011, our outstanding contracts amounted to approximately RMB82.0 billion, of which overseas contracts amounted to approximately RMB13.0 billion.

By consolidating the traditional national railway market, the Company vigorously developed self-owned rail, metropolitan rails, new industries as well as overseas markets in 2011, which has signed contracts for rapid transit vehicles in cities such as Zhengzhou, Ningbo, Guangzhou, Wuhan, Kunming, Changsha, Beijing, Chengdu and Qingdao and achieved new breakthroughs in the wind power equipment, electric automobiles, construction machinery, composite materials, engines, electrical components markets. Moreover, it was received orders for railway MUs in Georgia, freight wagons in the United Arab Emirates and Australia, passenger carriages in Cameroon and locomotives in Australia, Turkmenistan, Kazakhstan and Saudi, tapping into the rapid transits and locomotives market in developed countries while expanding overseas repair and maintenance services.

(3) Technology innovation bringing prolific achievements.

The Company expedited its own innovative development, focusing on innovative capacity and continuous optimization to upgrade the three technology platforms. As the national research centre of high-speed MUs assembly and engineering technology was owned by CSR Sifang, CSR has became the only enterprise that owns four national research and experiment institutions in the rolling stock manufacturing industry, namely National Converting Technology Engineering Research Center, national engineering laboratory dedicated to high-speed railway system integration, the State Key Laboratory of MUs and Locomotive Traction and Control and the national research centre of high-speed MUs assembly and engineering technology. These research institutes alongside six post-doctoral workstations, six state-accredited enterprise technology centers and two overseas R&D institutions formed an unparalleled R&D platform for CSR. The launch of new products such as the new generation higher-speed pilot railway will further consolidate the leading position of CSR in the domestic market.

In 2011, the Company continued to increase investment in technical R&D, totaling RMB4.481 billion, which accounted for 5.6% of revenue. It also launched 549 new R&D projects and continued with 349 existing R&D projects. "CRH380A new generation MUs" were granted the China Red Star Award for Innovative Products-Gold Medal and Best Team Award. The Company made applications for 1,820 national patents and was granted 1,308 national patents. Five patents granted the 13th China Patent Excellent Award in 2011. CSR won second-class award of the State Scientific and Technological Progress Award and was named the "Top Ten Innovative Enterprise". Following Liu Youmei, Ding Rongjun was elected as a member of The Chinese Academy of Engineering. So far, the two academicians specialized in rolling stock manufacturing sector in the PRC both came from CSR.

(II) Business overview

CSR is an integrated rolling stock manufacturer, the core business of which includes R&D and design, manufacturing, refurbishment, sales and leasing of locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key components as well as other extended businesses that utilize proprietary rolling stock technologies.

In 2011, in the face of the volatile economic conditions in China and overseas, responding to changes became CSR's business strategy for the year. Leveraging fully the advantages of its diversified business portfolio, the Company consolidated the advantages of core railway transportation businesses and accelerated the development and growth in new markets and industries through proactive management and business ideas and innovative research and manufacturing expertise as evidenced by its outstanding anti-risk capability and record high business indicators.

CSR is committed to adjusting its development mode, improving operating quality and adhering to the concept of environmental protection, while providing safe, reliable, comfortable and convenient rail transportation products consistently and expand into proprietary technology and new energy to bolster the rapid growth of the Company's performance through multi-channels. Our stable growth and market expansion demonstrated CSR's brand to the world.

Year-on-year growth in net profit attributable to owners of the parent

53%

Outstanding orders amounted to approximately

RMB82 billion

MUs —

Taking the lead in the global industry

Comprising complete vehicle manufacturers, CSR Sifang, CSR Zhouzhou and BST as well as core component manufacturers, such as CSR ZELRI, CSR Electric and CSR Qishuyan, CSR's MU business cluster relied on its independent capability of ancillary research and development of high-speed MU technologies to sustain its rapid growth. In 2011, revenue of the MU segment was approximately RMB20.981 billion, a year-on-year growth of 43.44%.

Rapid growth relies on core technology: by capitalising on its constant innovation and integration strengths, CSR has successfully set up a high-speed MU R&D platform, which formed a high-speed railway system that consists of complete basic theory, design and manufacture, test and evaluation, application and maintenance as a comprehensive industrial chain of high-speed railway. CRH380A not only solved the key technical issues of the structural reliability, dynamic performance, vibration mode and aerodynamic performance under high speed, it also effectively improved the management of quality through three technology platforms with the use of design methods including three-dimensional simulation test and on-site physical tests as well as product reliability management (RAMS/LCC) to guarantee the quality of massive manufactured products, thus becoming the "icon" of safety, reliability, environmentally friendly and user friendly of China's high-speed MUs. In 2011, on the basis of CRH380A's innovation, CSR conducted scientific studies on the safe and reliable operation under higher speed, and carried out prospective study of key mechanics and structural reliability of high-speed railway, the testing of new materials and technology and overall comfort and noise, while focusing on critical speed, traction power and resistance reduction. The system, head type, body, bogie, traction and brake system have been fully innovated with the introduction of 500 km per hour high-speed pilot railway and key technologies have become self-reliance and industrialized. Relying on its own innovation, CSR firstly invented the meter gauge MU wheel brake system, enabling the high-end inter-city MU to "go abroad" for the first time with over 200 high-quality inter-city MUs being exported to Malaysia.

Provision of solutions on all fronts: different journeys and caring services to meet the diverse market demand is the lifetime pursuit of CSR in the course of changes and development. As China's urbanization continues, shortening distance and time to promote regional economic development has become an imminent need for economic growth and daily transport facilitation. CSR is committed to the development of inter-city MUs with different speed, grades and settings. Its self-developed inter-city MUs with hourly speeds of 160 km and 200 km have entered the trial production stage, which will meet the insatiable market demand for inter-city MUs in the future. Meanwhile, CSR explored a business model that combines manufacturing and services to provide customers with services over the entire lifecycle products. Through constantly exploring ways to lower the costs of products over the entire lifecycle, it expanded the industrial chain to repairs and maintenance and successfully transformed itself from pure manufacturing to manufacturing plus servicing. In 2011, CSR signed a MU maintenance contract with the Ministry of Transportation of Malaysia in an amount of RMB270 million, which became China's first overseas rolling stock vehicle repairs and maintenance contract.

Providing applications at all levels: in 2011, the commissioning of the Beijing-Shanghai high-speed railways-"Golden Corridor", the most dynamic economy in eastern China, formed a high-speed railway network with Beijing-Tianjin, Wuhan-Guangzhou, Zhengzhou-Xi'an and Shanghai-Hangzhou high-speed railways, which is extending in all directions swiftly. On 30 June, CSR's 46 CRH380A MUs were operated along the "Golden Corridor", accounting for 53% of the operating MU. Since middle of August, the Ministry of Railways successively mobilized 20 CRH380A MUs for operation, while CRH380A MUs assumed the operation of the entire Beijing-Shanghai high-speed railway alone for most of the following four months. According to statistics, overall operation of CSR's in-service MUs is satisfactory, with punctuality hitting nearly 100% and failure rate per one million km of approximately 0.5 times (standard failure rate of Ministry of Railways is 2 times per one million km), the reliability of which reaches world standard. Based on the combinations and operating conditions of MUs, CSR established a comprehensive support system of operating services, standardized after-sales services and 24 hours instant after-sales service mechanism, and set up after-sales stations in Beijing, Shanghai, Nanjing, Jinan and Qingdao, which raised the brand awareness of CSR and received recognition from users and the general public.

Committed to perspective research and development of high-speed MUs with the use advanced modularisation and ergonomic designs, CSR constantly improves the comfort and reliability of MUs, bringing a brilliant future for high-speed MUs with its leading edges.

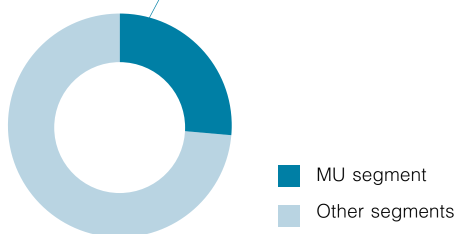
Year-on-year growth in revenue of the MU segment

43.44%

In 2011,

the revenue of the MU segment accounted for 26.39% of the total revenue.

26.39%



Locomotive segment —
a leading position in manufacturing

Enterprises specialized in the manufacturing and repair of locomotives, such as CSR Zhouzhou, CSR Ziyang, CSR Qishuyan, CSR Luoyang and CSR Chengdu, and those specialized in manufacturing of accessories, such as ZELRI, Qishuyan Institute and CSR Electric composes the comprehensive locomotive industry chain of CSR. With a distinct edge on its innovation capability, R&D expertise, business scale and a wealth of operation experience, CSR consolidated its leading position in its businesses and sustained its growth momentum. In 2011, CSR stayed strongly competitive and maintained high profitability in the locomotive segment, which recorded a revenue of RMB17.803 billion.

Taking a lead in the industry: As the frontrunner in bolstering the rolling stock traction power, CSR, leveraging on its cutting-edge in technology integration, comprehensive resolutions and extensive and full-fledged application experience, achieved a historic leap in the development of rolling stock traction technology in China, as evidenced by the shift from DC to AC transmission and the surge to heavy carrying capacity. Under the support of core technologies, CSR researched and developed a wide range of high-powered locomotive products that vary in axle arrangement and traction powers, thus meeting the diversified market needs and riding on the trend of the development of heavy-load rolling stock traction power in the world. The HXD1 (9,600 kW eight-axle electric locomotive) is currently the most high-powered AC transmission electric locomotive in the world. CSR had delivered 220 units of the above electric locomotives to Datong-Qinhuangdao Railway in the PRC, a railway with the largest transport volume of its kind, and assumed 70% of its total transport load with a double-unit traction capability of 20,000 tonnes. Its HXD1B (9,600 kW six-axle electric locomotive) has the largest single unit capacity AC transmission in the world, and is capable of accommodating the needs of a hauling capacity of 6,000 tonnes of cargoes on long and steep slope over a long distance. Its HXD1C (7,200 kW six-axle electric locomotive) set a record in the world for the shortest lead time needed for railway and locomotive research and development. Its single unit capacities can satisfy needs of a hauling capacity of 5,000 tonnes of cargoes on long and steep slope over a long distance. Meanwhile, its HXN5 (high-powered internal combustion locomotive) is one of the largest single unit internal combustion capacity locomotives in the world. Through the adoption of modular design, it stroke a balance between its heavy-hauling capacity and exceptional performance in energy saving and environmental protection, thus becoming the mainstream railway freight wagons on the main railway lines.

Sophisticated and extensive application: CSR's high-powered locomotives are widely applied in freight railways in most regions in China, accounting for over 50% of the total number of locomotives in operation. They can cater for special needs of different regions and climatic conditions and operate in an outdoor temperature range within ±40℃. As at the end of 2011, CSR delivered a total of 1,710 units of high-powered AC transmission electronic locomotives and completed the delivery of 535 HXN5 high-powered internal combustion locomotives. Leveraging its strong carrying capacity, these locomotives have been the major engine of China's railway transportation, thus greatly relieving the heavy pressure on the rail freight traffic of certain railway sections in China and fostering the development of regional economies.

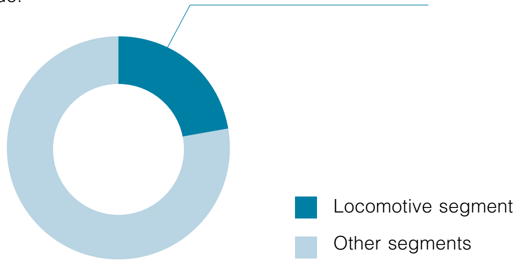
The locomotive segment recorded a revenue of

RMB17.803 billion

In 2011,

the revenue of the locomotive segment accounted for 22.39% in the total revenue.

22.39%



Rapid transit segment —

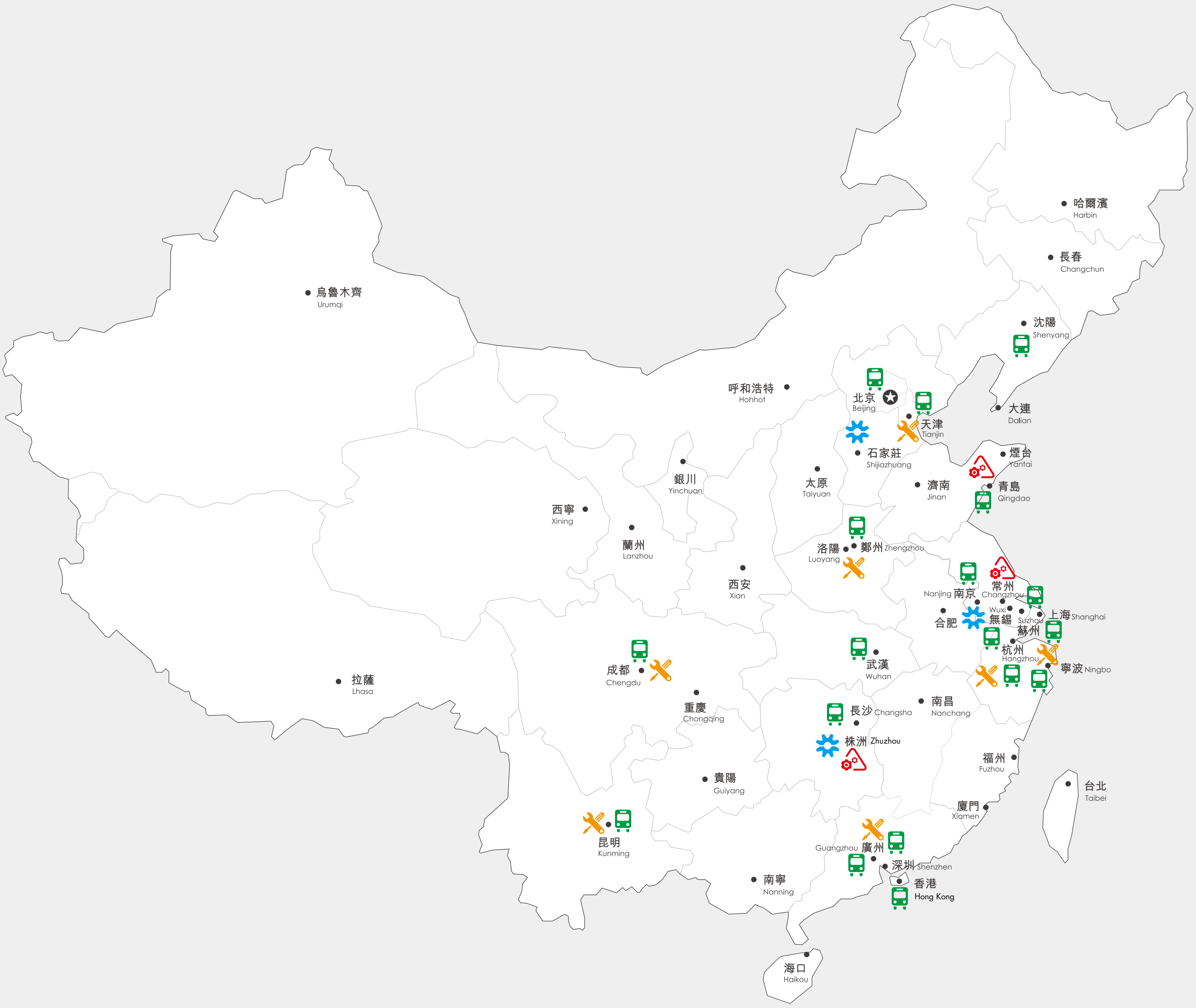
booming industry with prosperous outlook

A rapid transit industry cluster that comprises CSR Zhuzhou, CSR Sifang and CSR Puzhen, three enterprises qualified for whole metro car manufacturing, as well as CSR ZELRI, a core component manufacturer, leverage their independent R&D, auxiliary system development and large scale operations to demonstrate a strong and sustainable competitive strength. In 2011, CSR's rapid transit segment delivered outstanding performance and accounted for approximately 70% of the domestic market, with revenue reaching RMB8.217 billion, up14.53% over 2010.

Excellent market performance: Given its strong comprehensive strength, cutting edge technology, consistency in product quality, diversified management, adequate business scale and brand prominence, CSR successfully bid (price negotiations) nine rapid transit vehicle projects out of a total of 13 rapid transit vehicle projects opened for bidding (price negotiations) across eight cities in China. It also penetrated into Qingdao and Wuxi, the two cities which offered rapid transit vehicle project biddings for the first time. CSR capitalized on its advantages of technology and market share to further enhance its overall synergy, optimize marketing strategies and actively promote full-service repairs and maintenance system. Over the past five years, it accounted for an average market share of over 60% in China. As at the end of 2011, various rapid transit vehicles developed by CSR were put in service in more than 40 lines across 17 cities in China.

Cutting edge high-end products: CSR is one of the enterprises that possess the most complete rapid transit product variety and types, which can meet market demand with its product range. In 2011, China's first commercial low-speed suspension train was put in service at a maximum operating speed of 100 km per hour with a maximum capacity of approximately 600 passengers per train, being functional under windy, sandy, rainy and snowy conditions, particularly its climbing ability, which doubles rapid transit vehicles of similar types. China's first proprietary linear electric metro train was in operation, the core and key technologies of which are completely proprietary technology with domestication rate of more than 90% for the whole vehicle. To date, CSR has established a manufacturing base for aluminum alloy and stainless steel vehicles and bogie as well as an assembly, testing and R&D base for rapid transit vehicles. Making use of key proprietary technologies in the R&D of high-end rapid transit metro train, not only had CSR developed capabilities of integrating the entire vehicle system but it also has an ancillary platform for the supply of key components of its traction transmission system. It has exported high-end products such as its proprietary Type A metro cars and articulated light rail vehicles to Europe and Southeast Asia.

Coping with the future development of urban transport and the green and low-carbon development trend, CSR diligently develops advanced, sophisticated, green and energy saving products to provide sheer solutions to satisfy the changing needs of users in different cities and regions with a view to offering convenience, time-saving and comfort for daily travel.



Various rapid transit vehicles were put in service across 17 cities in China

中國南車城軌整車應用城市 Application of CSR whole train for urban rail transit

中國南車城軌整車新造基地 CSR urban rail transit whole train manufacturing base

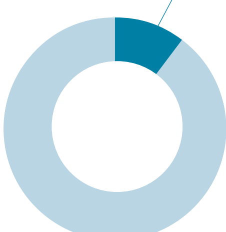
中國南車城軌關鍵部件基地 CSR key components base for urban rail transit products

中國南車城軌車輛組裝和維修基地 CSR assembly and maintenance base for urban rail transit products

In 2011,

the revenue of the rapid transit segment accounted for 10.33% of the total revenue

10.33%



Rapid transit segment

Other segments

The rapid transit segment recorded a revenue of

RMB8.217 billion

Passenger carriage segment —

remarkable growth

The passenger carriage segment of CSR comprises CSR Puzhen, CSR Sifang, CSR Sifang Ltd., CSR Chengdu and BST recorded revenue of RMB6.354 billion in 2011, up 50.57% over 2010.

Value-added products in the market: back by its sophisticated and reliable passenger car manufacturing technology, CSR accounted for approximately 70% of the second round new passenger cars bidding by the Ministry of Railways in 2011. While expanding its market share, CSR enhanced manufacturing efficiency and product quality substantially through lean production. It applied the advanced concept of modularisation and ergonomic designs in the manufacturing of high-end products to the development and manufacturing of ordinary passenger carriages, which substantially enhanced the comfort, safety and energy saving and environmental protection efficiency of its vehicles. In 2011, research and development works on passenger carriages that operate at 200 km per hour have been under smooth progress, which will further improve the product portfolio of passenger carriages, enhancing CSR's competitiveness in traditional passenger carriage market.

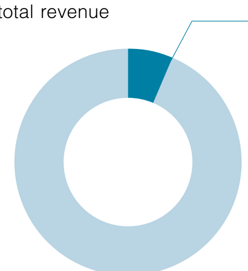
Tapping into the high-end markets: CSR is the sole provider of the passenger vehicles for the Qinghai-Tibet Railway Line which are the most technically sophisticated of its kind built to the highest specifications in China. The Qinghai-Tibet 160 km sight-seeing passenger vehicles provided the most convenient passage link between Shanghai and Lhasa, running along

The passenger carriage segment recorded a revenue of

RMB6.354 billion

In 2011,
the revenue of the passenger carriage segment accounted for 7.99% of the total revenue

7.99%



the world's highest rail track at 5,072 meters above sea level. The passenger vehicles have upgraded interior decoration and whole car electric modularisation, with outstanding performance in terms of body sealability, interior decoration, oxygen generation, cold and wind sand protection, which are designed to fully meet the low air pressure, strong UV, windy, sandy with frequent thunders and lightening strikes and tundra extreme highland climatic conditions, and with a safe and green operation.

The versatility as seen in China's railway operations has become the future development. Demand for passenger carriages with varying speed will once again instil vitality into the traditional passenger carriage market.

Freight wagon segment —
growing cluster effect

The freight wagon segment of CSR comprises CSR Yangtze, CSR Meishan, CSR Er Qi and CSR Shijiazhuang. Benefited from the blistering market demands for freight wagons in China, such segment achieved remarkable results through stepping up efforts in research and development, expanding business platform and consolidating the operation network. In 2011, CSR's freight wagon business recorded revenue of RMB9.692 billion, representing a year-on-year increase of 33.44%.

Large scale development: CSR has the largest freight wagon development and manufacturing facilities in Asia and craves for modern intensive production with optimised resource allocation and strengthened research and development. With internationally advanced synergic simulation platform and 3D design technology/ PDM system, CSR has international

standard compliance product testing and appraisal capabilities. With surefooted presence in domestic market, CSR spared no efforts in tapping into the international market. In 2011, the railway freight wagons and railway accessories of the Company were sold to regions including Australia, Americas, Africa, Middle East and Southeast Asia.

Research and development of professional equipment: CSR has improved its product mix and developed a myriad of new products to enlarge its market scope and penetration. The Company owns five major series of general railway freight wagons and long and large freight wagons, consisting open top wagons, box wagons, flat wagons, tank wagons and hopper wagons, as well as a series of special purpose railway freight wagons and dedicated railway freight wagons. The Company has also developed general freight wagons with hauling capacities of 70 tonnes, marking the historic transformation of the hauling capacities of general freight wagons in China from 60 tonnes per unit to 70 tonnes per unit. CSR also successfully launched freight wagons C80, which has the largest hauling capacities in China and providing important safeguards for the Datong-Qinhuangdao Railway coal transportation of over 400 million tonnes per annum. In addition, the Company has systematically developed key technologies of mainstream railway freight wagons, including 120 km per hour accelerated freight wagons and large-axle heavy load freight wagons, to meet the high speed and heavy load railway freight development in China. In 2011, the Company formulated proposals regarding the introduction of heavy axle bogies for heavy-hauling freight wagons and other new types of freight wagons.

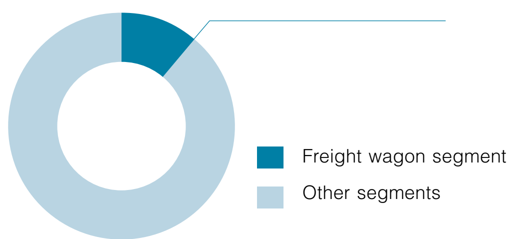
The freight wagon segment recorded a revenue of

RMB9.692 billion

In 2011,

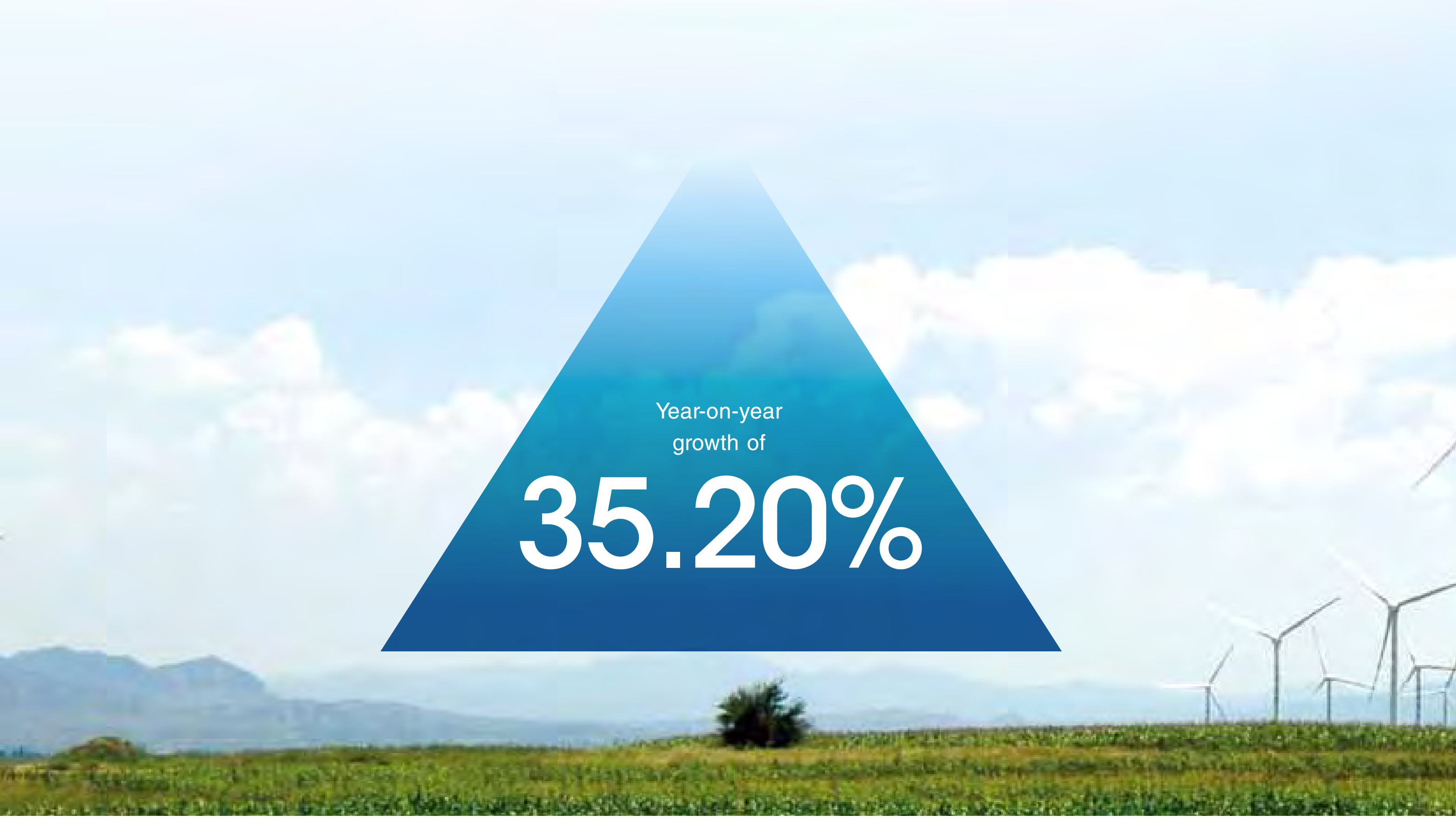
the revenue of the freight wagon segment accounted for 12.19% of the total revenue

12.19%



New business segment —

green energy for future growth



CSR's new business has achieved a substantial scale, with promising development as a whole. It will become an important growth pole for CSR both in respect of optimisation of its future industrial structure as well as operational results and development. In 2011, CSR's new business segment recorded revenue of RMB11.637 billion, representing an increase of 35.20% over last year.

Strategic industry layout: Leveraging its solid fundamentals and technology expertise, CSR actively devised its industry layout and focused on the development of new energies and a green economy to better position itself in the next round of economic development, and has expanded into emerging sectors such as wind power equipment, electric automobiles, construction machinery, composite materials, engines and electrical components. The construction machinery sector was developed into rail construction machinery and civil rail construction machinery sectors with a full range of piling mechanical equipment. The wind power equipment composed a well-established industrial chain with a production capacity of close to 1,000 units of wind turbine per annum. In 2011, CSR successfully developed the 2.5MW wind power generating units, which was connected to the power grid smoothly. With respect to the automobile equipment sector, CSR has successfully applied the original industrialized technology, thus becoming one of the major electric passenger carriage manufacturers and one of the largest suppliers of key components of electric automobile in China. Furthermore, CSR delivered satisfactory performance in the areas of industrial motors, new materials, industrial internal combustion engines and electrical components with its proprietary technology and development systems. In 2011, the Company achieved considerable breakthroughs in the development of Insulated Gate Bipolar Transistor (IGBT) and has officially initiated the first 8-inch IGBT chips production line project in China. CSR becomes the domestic enterprise that enjoys the complete industry chain of IGBT chip design, chip manufacturing, module packaging and system application to complement the deficiency in domestic technology while preventing monopoly of overseas supply.

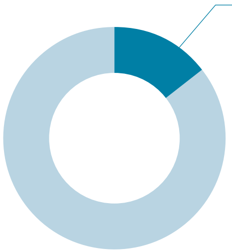
Strengthening cooperation and development: CSR formed strategic partnerships with domestic renowned companies aggressively. Through different ways of horizontal integration and vertical extension, CSR endeavoured to expand into emerging industries by capitalizing on its capital advantage. It has signed strategic cooperation agreements with state-owned enterprises such as China Shenhua, China Potevio, China Energy Conservation, CGNPC, China Academy of

Machinery Science and Technology as well as China Patent Technology Development Co. to actively promote exchanges and cooperation among state-owned enterprises. Moreover, it cooperated with FAW Car and Changan Automobile for the development of new automobile models, which augmented the cooperation among electricity-driven vehicle companies operated under state-owned enterprises. It also collaborated with Yuchai Group, a key player in the industry, to build the largest R&D and manufacturing base of engines in western China.

In 2011,

the revenue of the new business segment accounted for 14.63% of the total revenue

14.63%



Ranking in the industry of wind power equipment in China:

Top 10

The new business segment recorded a revenue of

RMB11.637 billion

Foreign operations —

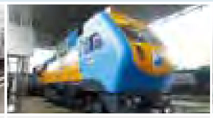
outstanding results across the world

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
UzbekIstan


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

By optimizing strategic layout with advanced technical resources as well as international perspective, CSR expanded into more than 60 countries and regions around the world with its well-developed products and quality services with a change in its market development strategy from scope to depth. In 2011, CSR's international brand awareness and reputation were magnified, having continual influence over the market. It has been awarded orders for railway MUs in Georgia, freight wagons in the United Arab Emirates and Australia, passenger carriages in Cameroon and locomotives in Australia, Turkmenistan, Kazakhstan and Saudi. Export revenue grew by 162% over last year, accounting for more than 100% of the increase in revenue whilst overseas outstanding contracts amounted to approximately RMB13.0 billion.

Year-on-year growth in export revenue:

162%

Outstanding overseas contracts amounted to

RMB13 billion

Setting a foothold in high-end markets: with the expansion of our overseas business coupled with our experiences in technology, manufacturing and operation, CSR has tapped into high-end overseas markets targeting for high-end customers. In 2011, A/C diesel locomotives that had been exported to Australia were put in service, being China's first internal-combustion locomotive that applies the AC propulsion proprietary technology to be exported to developed countries. Freight wagons that feature derailment detection and axle-temperature alarm functions under the ECP system were exported to the United Arab Emirates. Light transit railways that had been exported to Turkey reached Europe, signifying the reach to European countries of China's high-end metro railway products.

Enlarging service scopes: CSR extended its arm in rolling stock operating services based on its advantages in respect of technology, capital and premium products. In 2011, on top of traditional exports and warranty services, CSR successfully launched repairs and maintenance services in Kuala Lumpur following the exports of MUs in Malaysia.

(III) ANALYSIS OF FINANCIAL STATEMENTS

1. The Company's operation status

(1) Revenue breakdown by business segments

Comparisons between revenue from all business segments of the Company for year 2011 and that for last year are set out in the following table:

	2011		2010		
Business segments	**Amount (RMB'000)**	**Percentage %**	Amount (RMB'000)	Percentage %	Growth rate %
Locomotives	**17,803,400**	**22.39**	18,062,445	28.16	-1.43
Passenger carriages	**6,354,192**	**7.99**	4,220,184	6.58	50.57
Freight wagons	**9,691,987**	**12.19**	7,263,002	11.33	33.44
MUs	**20,981,268**	**26.39**	14,627,544	22.81	43.44
Rapid transit vehicles	**8,217,268**	**10.33**	7,174,978	11.19	14.53
New Businesses	**11,637,271**	**14.63**	8,607,426	13.42	35.20
Others	**4,831,572**	**6.08**	4,176,820	6.51	15.68
Total	**79,516,958**	**100.00**	64,132,399	100.00	23.99

The decrease in revenue generated from locomotives business as compared with last year was attributable to the adjustments to the product portfolio procured by customer.

The increase in revenue generated from the passenger carriages business as compared with last year was attributable to the increase in procurement from customers due to the release of demand in the railway passenger market.

The increase in revenue generated from the freight wagons business as compared with last year was attributable to the robust demand for railway freight wagons and the increase in orders of freight wagons from the Ministry of Railways and self-owned vehicles from enterprises.

The increase in revenue from our MU business as compared with last year was attributable to the increase in product delivery arising from a more vibrant market demand for MUs.

The increase in revenue from our rapid transit vehicles business as compared with last year was attributable to the ever-increasing market demand for rapid transit vehicles.

New businesses include extended businesses highly pertaining to our proprietary rolling stock technologies. Our new businesses grew significantly as compared with that of last year, primarily attributable to the Company's efforts in providing both technology and capital support for the development of proprietary rolling stock technologies related products, which triggered pronounced growth in products market of new businesses. In particular, revenue from wind power equipments amounted to RMB3.457 billion, representing a year-on-year increase of 21.31%; revenue from construction machinery amounted to RMB1.931 billion, representing a year-on-year increase of 20.69%; revenue from composite materials amounted to RMB1.663 billion, representing a year-on-year increase of 97.95%; revenue from engines amounted to RMB1.486 billion, representing a year-on-year increase of 213.47%; revenue from automobile equipments amounted to RMB1.134 billion, representing a year-on-year increase of 40.02%; while revenue from electric components (電氣及元器件) amounted to RMB773 million, representing a year-on-year increase of 1.62%.

Other revenue includes revenue from sales of materials and businesses other than rolling stock business. The increase in our other revenue as compared to the previous year was primarily due to expansion in operation scale and business growth.

(2) Revenue breakdown by regions

For year 2011, revenue from the Company's operations by regions and the comparison with that of last year are shown in the following table:

	2011		2010		
Business segment	**Amount** ***(RMB'000)***	**Percentage** **%**	Amount *(RMB'000)*	Percentage %	Growth rate %
Domestic market	**73,410,945**	**92.32**	61,795,118	96.36	18.80
Overseas market	**6,106,013**	**7.68**	2,337,281	3.64	161.24
Total	**79,516,958**	**100.00**	64,132,399	100.00	23.99

Revenue from domestic market of the Company increased by 18.80% as compared with that of last year whereas revenue from overseas market increased by 161.24% as compared with that of last year, which was primarily attributable to the Company's active market expansion, especially the rapid growth in revenue generated from the delivery of rapid transits and inter-city MUs in overseas market in 2011.

(3) Analysis of gross profit and gross profit margin

For year 2011, consolidated gross profit of the Company and the comparison with that of last year are shown in the following table:

	2011	2010	
Item	**Amount** ***(RMB'000)***	Amount *(RMB'000)*	Growth rate %
Revenue	**79,516,958**	64,132,399	23.99
Cost of Sales	**64,646,619**	53,145,221	21.64
Gross profit	**14,870,339**	10,987,178	35.34
Gross profit margin	**18.70%**	17.13%	

In 2011, the Company's consolidated gross profit margin was 18.70%, representing a year-on-year increase of 1.57 percentage points. Such increase was primarily due to the increase in the overall gross profit as a result of a more significant growth in revenue of MUs segment and new businesses, in which the gross profit margin was higher than the average gross profit margin.

(4) Major suppliers and customers

In 2011, the procurement by the Company from its top five suppliers totaled RMB7,894.216 million, accounting for 13.99% of the total procurement for the year.

In 2011, the sales of the Company to its top five customers totaled RMB48,025.854 million, accounting for 60.40% 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 the Ministry of Railways together with all railway bureaus, which accounted for 55.16% of the Company's total sales for the year. None of the Directors or its 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.

2. 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 2011, the Company's assets were mainly measured by historical cost method and partly at fair value. Main items of statements which were measured at fair value included financial assets. There were no material changes 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 2011 are shown in the following table:

	2011		2010		
Item	Amount (RMB'000)	Percentage %	Amount (RMB'000)	Percentage %	Growth rate %
Total current assets	**63,607,344**	**68.55**	50,277,749	68.16	26.51
Of which: Cash and cash equivalents	**23,092,481**	**24.89**	13,781,564	18.68	67.56
Bills receivables	**4,201,451**	**4.53**	1,720,935	2.33	144.14
Trade receivables	**13,689,416**	**14.75**	11,179,240	15.16	22.45
Inventories	**17,841,991**	**19.23**	17,793,573	24.12	0.27
Total non-current assets	**29,179,047**	**31.45**	23,482,793	31.84	24.26
Of which: Property, plant and equipment	**21,374,331**	**23.04**	17,100,519	23.18	24.99
Total assets	**92,786,391**	**100.00**	73,760,542	100.00	25.79

As at 31 December 2011, the ratio of current assets to total assets of the Company was 68.55%. 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 in the operation of the equipment manufacturing industry.

The balance of the Company's cash and cash equivalents was relatively significant. The cash and cash equivalents of the Company as at the end of the year increased by 67.56% as compared with that as at the beginning of the year. This was mainly attributable to 1) the need of sustaining a moderate amount of cash and cash equivalents by the end of the year to meet the growing capital needs in respect of production and operation at the beginning of the following year, and 2) a higher balance of our cash and cash equivalents as at the end of year as a result of the sudden recovery of trade receivables while late repayment of short-term borrowings. In relative terms, our cash and cash equivalents accounted for 24.89% of total assets by the end of the year, representing an increase of 6.21 percentage points from the beginning of the year.

The bills receivables of the Company were mainly bank acceptance bills and commercial acceptance bills. The bills receivable of the Company as at the end of the year increased by 144.14% as compared with that as at the beginning of the year, mainly attributable to the increase in settlement by means of acceptance bills due to tightened liquidity of customers under the marco-control policy of the State. In relative terms, bills receivables as a percentage of total assets was 4.53% as at the end of the year, representing an increase of 2.2 percentage points from the beginning of the year.

The trade receivables of the Company were mainly contract receivables. The net trade receivables of the Company as at the end of the year increased by 22.45% as compared with that as at the beginning of the year, mainly attributable to the growth in trade receivables as a result of the increase in sales revenue for the year. In relative terms, trade receivable as a percentage of total assets was 14.75% as at the end of the year, representing a decrease of 0.41 percentage points from the beginning of the year.

Inventories of the Company mainly include raw materials, work in progress and inventories of finished goods. Net inventories of the Company as at the end of the year levelled off as compared with that as at the beginning of the year, mainly due to the strengthened effort in lean production which has successfully brought inventories under control. In relative terms, net inventories of the Company accounted for 19.23% of total assets as at the end of the year, representing a decrease of 4.89 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 24.99% as compared with that at the beginning of the year. Such increase was mainly attributable to the increase in investment of property, plant and equipment as a result of the expansion of production capacity and upgrade of products and technologies. In relative terms, the net value of property, plant and equipment of the Company accounted for 23.04% of the total assets as at the end of the year, representing a decrease of 0.14 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 2011 are shown in the following table:

	2011		2010		
Item	Amount (RMB'000)	Percentage %	Amount (RMB'000)	Percentage %	Growth rate %
Total current liabilities	**59,184,932**	**91.48**	42,815,092	85.82	38.23
Of which: Interest-bearing bank and other borrowings	**18,099,123**	**27.97**	5,812,758	11.65	211.37
Trade payables	**21,238,995**	**32.83**	18,044,142	36.17	17.71
Other payables and accruals	**11,979,765**	**18.52**	11,131,331	22.31	7.62
Total non-current liabilities	**5,513,542**	**8.52**	7,076,866	14.18	-22.09
Of which: Interest-bearing bank and other borrowings	**2,325,097**	**3.59**	4,203,724	8.43	-44.69
Defined benefit obligations	**1,569,030**	**2.43**	1,775,451	3.56	-11.63
Total liabilities	**64,698,474**	**100.00**	49,891,958	100.00	29.68

As at 31 December 2011, the current liabilities of the Company accounted for 91.48% 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 year increased by 211.37% as compared with that as at the beginning of the year, primarily due to 1) the increase in short-term interest bearing bank and other borrowings for the purpose of securing capital for production and operation at the middle of the year, as a result of the deferred recovery of capital from major customers under the macro-control policy of the State; and 2) the late repayment of bank borrowings resulting from the concentrated recoveries of receivables at the end of the year. In relative terms, the proportion of short-term interest-bearing bank and other borrowings among the total liabilities of the Company was 27.97% as at the end of the year, representing an increase of 16.32 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 17.71% as compared with that as at the beginning of the year. Such increase was mainly attributable to the corresponding increase in payables arising from the expansion of business scale, the increase in business volume and the increase in the amount of procurement of the Company. In relevant terms, the proportion of trade payables in total liabilities of the Company was 32.83% as at the end of the year, representing a decrease of 3.34 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 7.62% as compared with that as at the beginning of the year, mainly due to the corresponding increase in other payables arising from the expansion of business scale, the increase in business volume and the increase in the amount of procurement of the Company. In relevant terms, the proportion of other payables and accruals in total liabilities of the Company was 18.52% as at the end of the year, representing a decrease of 3.79 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 decreased by 44.69% as compared with that as at the beginning of the year, mainly attributable to the re-classification of the RMB2 billion mid-term notes into current liabilities due within one year.

As at the end of the year, the defined benefit obligations of the Company decreased by 11.63% from last year for payment reason and took up a lower proportion by 1.13 percentage points.

As at 31 December 2011, the financial leverage of the Company was 62%. Details are set out in Note 46 to the financial statements prepared under IFRS in this annual report.

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

In 2011, the financial figures such as administrative expenses of the Company and year-on-year changes thereof are shown in the following table:

Item	2011 Amount (RMB'000)	2010 Amount (RMB'000)	Growth rate %
Selling and distribution costs	**2,734,686**	1,989,254	37.47
Administrative expenses	**7,017,068**	5,799,821	20.99
Finance costs	**993,739**	318,368	212.14
Share of profits and losses of associates and jointly-controlled entities	**668,034**	611,794	9.19
Income tax expense	**698,887**	415,901	68.04

The selling and distribution costs of the Company increased by 37.47% as compared with that of last year, which was mainly attributable to 1) the increase in the provision for proportionate product quality assurance deposit as a result of the increase in revenue of the Company, 2) the rapid growth in sales commissions, intermediary fees and transportation expenses in line with the expansion in market share and business scope of the Company; and 3) the growth in the salary of sales persons as a result of the expansion of the sales department.

The administrative expenses of the Company increased by 20.99% as compared with that of last year, mainly attributable to 1) the increase in research and development expenses of the Company year by year and 2) the corresponding increase in the salary of management and depreciation fees as a result of the Company's growth in operation scale and business volume.

The finance costs of the Company increased by 212.14% as compared with that of last year, mainly attributable to the increase in interest expense following the increase in interest-bearing liabilities including bank borrowings and short-term financing bonds for the purpose of securing capital for production and operation under the macro-control policy of the State.

The increase in the share of profits and losses of associates and jointly-controlled entities of the Company was mainly attributable to the increase in profits of associates and jointly controlled entities.

The income tax expense of the Company increased mainly due to the increase in overall profit from operations of the year.

4. Breakdown of cash flow during the reporting period

In 2011, the cash flow of the Company and the year-on-year changes thereof are shown in the following table

Item	2011 Amount (RMB'000)	2010 Amount (RMB'000)	Growth rate %
Net cash flows from operating activities	**6,941,334**	3,721,139	86.54
Net cash flows from investing activities	**-7,543,123**	-5,648,348	—
Net cash flows from financing activities	**8,897,660**	4,669,859	90.53

The net cash flows from operating activities of the Company increased by 86.54% over last year, which was mainly due to the fact that the capital liquidity of customers were tightened most of the time in 2011 in the fallout of the State's macro-control policies, which led a poor cash flow from operating activities, but the Company had strengthened management on receivables and put additional efforts to collect accounts receivable which, following the capital relief of major clients at the end of the year, ensured normal cash flow from operating activities and drove up a year-on-year increase in net cash flows.

Net cash flows from investing activities of the Company recorded a larger deficit over last year, which was mainly due to the increase in cash payment for acquisition of fixed assets, intangible assets and other long-term assets.

Net cash flows from financing activities of the Company increased by 90.53% from last year, mainly because that the Company enlarged the scale of debt financing such as bank loans and short-term financing bonds in order to cope with the tensional situation of capital.

5. Significant capital expenses in the reporting period

The significant capital expenses of the Company in 2011 are set out in the following table:

Item	2011 Amount (RMB million)	2010 Amount (RMB million)
Property, plant and equipment	**5,699**	4,863
Prepaid land lease payments	**507**	617
Total capital expenses	**6,206**	5,480

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 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 operations	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 profit attributable to owners of the parent for 2011	Revenue in 2011
CSR Zhuzhou	Research and development and manufacture of railway electric locomotives, MUs and rapid transit vehicles	3,474,026	12,680,739	3,885,138	**336,181**	**14,059,189**
CSR Sifang	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	3,157,264	18,078,501	4,086,849	**1,440,832**	**23,979,769**
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	2,436,710	18,576,039	3,896,810	**607,686**	**14,117,746**
CSR Yangtze	Research and development, manufacture and maintenance of railway freight wagons	2,169,809	5,697,493	2,047,362	**144,801**	**5,039,417**
CSR Qishuyan	Research and development, manufacture and maintenance of railway diesel locomotives	961,393	3,354,689	1,212,686	**192,746**	**5,334,753**

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	1,204,213	584,043	15.11

BST was established on 27 November 1998 (registered address: No.86 East Jinhong Rd, Chengyang District, Qingdao), which is a 50-50 Chinese-foreign joint venture established by CSR Sifang Ltd. and Bombardier to engage in the production of transit vehicles. Its business scope mainly 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 2011, Qingdao BST Company mainly sold 22 eight-carriage MUs with speed of 250km/h (8編組250公里動車組), with revenue, profit from operation and net profit amounting to RMB4,258.427 million, RMB1,340.560 million and RMB1,204.213 million, respectively.

7. Assets in relation to fair value measurement

Unit: RMB'000

Item	Amount at the beginning of the period	Gain or loss from changes of fair value in the period	Accumulated changes in fair value recognized in equity	Provision for impairment for the period	Other changes in the period	Amount at the end of the period
Financial assets						
of which: 1. financial assets at fair value through profit or loss	17,512	(8,295)	—	—	2,644	11,861
2. derivative financial instruments	—	35,774	—	—	—	35,774
3. available-for-sale investment	2,564	—	(76,782)	—	318,422	244,204
Sub-total of financial assets	20,076	27,479	(76,782)	—	321,066	291,839
Financial liabilities	—	—	—	—	—	—
Total	20,076	27,479	(76,782)	—	321,066	291,839

8. Financial assets and financial liabilities in foreign currencies

The financial assets and financial liabilities held by the Company in foreign currencies are listed in the table below:

Unit: RMB'000

Item	Amount at the beginning of the period	Gain or loss from changes of fair value in the period	Accumulated changes in fair value recognized in equity	Provision for impairment for the period	Other changes in the period	Amount at the end of the period
Financial assets						
of which: 1. financial assets at fair value through profit or loss derivative financial instruments	—	—	—	—	—	—
2. loans and other receivables	1,534,621	—	—	—	(342,666)	1,191,955
3. available-for-sale investment	—	—	—	—	—	—
4. investment held to maturity	—	—	—	—	—	—
Sub-total of financial assets	1,534,621	—	—	—	(342,666)	1,191,955
Financial liabilities	563,976	—	—	—	728,427	1,292,403

9. Particulars of pledge of assets of the Company

As at 31 December 2011, the following assets of the Group were pledged to secure bank loans:

Item	Amount *(RMB'000)*
Property, plant and equipment	103,430
Prepaid land lease payment	106,794
Time deposits and bank balances	5,837
Inventories	—
Trade receivables	564,880
Bills receivable	173,600
Total	954,541

10. Particulars of contingent liabilities of the Company

Neither the Group nor the Company had any other contingent liabilities in 2011.

11. Staff of the Company

In 2011, guided by the people-oriented concept, practicable theories of human resources management, and leveraging on a value-added environment for human capital, innovative management system on human resources and a consolidated base thereof as well as cultivating core competitiveness of talents, the Company's human resources plan was closely in line with its development strategies and annual business plan. Having adhered to the working guidelines of solidifying foundation, optimizing system, innovating objective and leading development, the Company kicked off the recruitment of key employees and extended staff trainings through expediting the implementation of the talent plan. Meanwhile, it improved the remuneration distribution system whilst strengthening basic management so as to prop up the rapid growth and international operation of the Company with a pool of talents.

(1) The "Twelfth Five-year" human resources strategies set off in full motion. The Company convened the first work conference of talents, in which the implementation plan of "Twelfth Five-year" human resources strategies was mapped out. The implementation outline and the procedures thereof for setting up a talent team consisting of 125,000 core personnel were formulated and the respective short-, mid- and long-term business development strategies were also finalized. Under the premise of strict control on staff numbers, the Company continuously improved the composition of human resources and adjusted its distribution, in an effort to furnish the Company with sufficient talents for its sustainable development.

(2) Full-launch of the recruitment program for key talents. The Company drew up procedures for the selection and management of core management, technology and technicians, came up with new assessment criteria and determined the talent incentive polices and training methods as well as launching the first recruitment for key talents with three different areas of expertise. During the year, our staff, Ding Rongjun was elected as a member of The Chinese Academy of Engineering, being the second elected member in CSR, 9 staff were acclaimed as National Technical Expert (全國技術能手) while 15 staff were honored as Technical Expert of China's State-owned Enterprises (中央企業技術能手).

(3) Extra and continuous effort in building up the corporate management team. The selection and employment criteria on the basis of competitiveness continued to play an important role in allocating middle and senior management of the Company, which stressed both morality and ability and based on the former to further optimize the allocation of the management team and its composition to fully boost leadership and trend-leading capability, with reference to the requirements to cultivate professional qualities, specialized business segment, assessed contribution and globalised career development. Meanwhile, the Company actively forged ahead with the routine set up of talent pipeline by means of recruitment, recommendation and aptitude test whereby nurturing a pool of talents ready to fill up the positions of future middle- and senior management of CSR.

(4) Systematic planning on the training agenda of talents under the "Twelfth Five-year" plan. The Company actively pushed forward key training projects for the year whilst drafting the "125,000 Talents Training Scheme of CSR" (《中國南車「十二五」人才培訓開發規劃》) with quantitative indicators including training capacity, investment in training and the results of training put forward to set a clear goal for staff training. During the year, with an intensified strategic layout of training and an enlarged investment thereto, the Company focused on carrying out key training projects including management team, talent pipeline, international trade, project management and technology upgrade, through overseas training, on-job training, co-training between school and enterprises (校企聯培), with an aim to step up the overall quality, expertise and global competitiveness of its staff at all fronts. During the year, a total of approximately 142,700 attendances were received at the training sessions, of which, approximately 27,300 were for management training sessions, approximately 13,700 were for expertise training sessions and approximately 101,700 were for technical training sessions.

(5) Steady reform of remuneration systems and strengthened incentive and constraint mechanism. The Company committed itself to the ongoing improvement of staff income through aligning the remuneration system with the market step-by-step which was position- and performance- based to promote stronger ability. At present, all subsidiaries under the Company have taken reforms to adopt the performance-linked salary system, whereby magnifying the synergy between remuneration and performance further, and a more optimized position-based value system together with a more streamlined internal distribution have put in place a systematic, uniform, standardized remuneration management system, which fulfilled the regulatory requirements by and large. There was a flexible range of salary payment criteria available on the basis of the performance-linked salary system, which included the payment of remuneration according to the economic results of the Company and the performance of duties by its staff. While emphasizing corporate development, the Company also let its staff share the success of the Company. Besides, in addition to the external reward like salary, due attention is also paid to the internal incentives such as senses of competence, achievement and responsibility and personal development.

(6) Labor management regulated to achieve labor relation in harmony. The Company improved the labor management system on an ongoing basis, conducted labor inspections, promote transfer of internal human resources and established a filing system for the audit of total labor, with a view to regulating labor behaviours effectively, controlling total labor input and preventing construction risks.

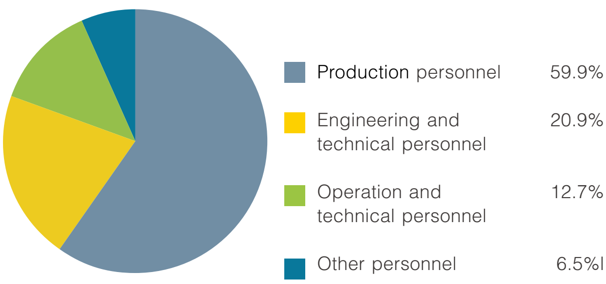
As at the end of the reporting period, the overall condition of staff is as follows:

Total number of staff	86,058	Number of people whose retirement expenses are born by the Company	53,311

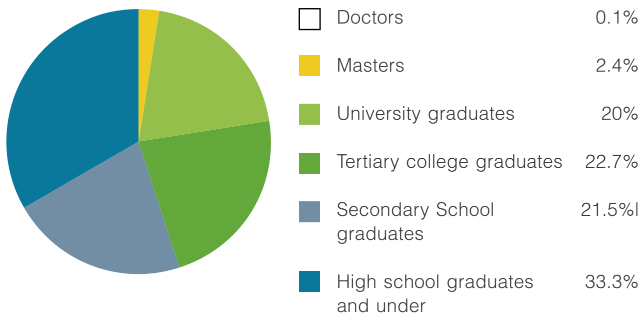
Note: The above resigned and retired staff had been subjected to actuarial treatment and a sum has been set aside for such purpose. The impact on profit and loss was insignificant as a one-off provision was made for liabilities during the reorganisation and reforms in respect of welfare expenses subject to actuarial treatment.

The staff structure was as follows:

1. By profession



2. By education



Categories of profession	Composition of profession
Production personnel	51,614
Engineering and technical personnel	17,970
Operation and management personnel	10,866
Other personnel	5,608
Total	86,058

Education level	No.
Doctors	95
Masters	2,024
University graduates	17,228
Junior college graduates	19,572
Secondary school graduates	18,506
High school graduates or under	28,633
Total	86,058

The Company and its subsidiaries have arranged basic social insurance schemes and housing reserve funds for their employees and paid the corresponding contribution payable by the Company and provided all required statutory social security schemes for the benefits of their employees in accordance with the State and local regulations.

Details in respect of the wages, salaries and other benefits for the staff of the Company are set out in Note 6 to the financial statements prepared under the IFRS in this annual report.

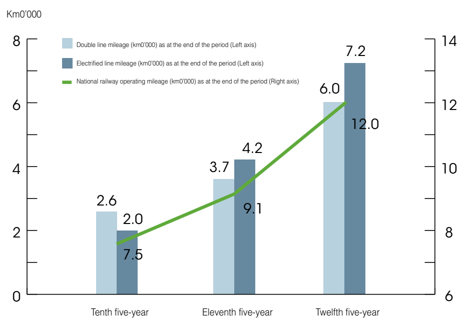
(4) FUTURE PROSPECTS

1. Industry trend and an overview of market competitions

According to "The Twelfth Five-Year Plan of China Railways" (中國鐵路「十二五」規劃), the national operating railway mileage will reach 100,000 km by 2012, with more than 50% double and electrified lines. By 2015, the national operating railway mileage will reach to over 120,000 km, comprising over 16,000 km of passenger-dedicated 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. The railway industry still boasts much room for market development. Great opportunities also beckon for the development of urban rail transits industry. As at the end of 2011, over 40 cities in the PRC are constructing or preparing to construct rapid transit facility systems such as subway systems and light rail cars, so a total railway mileage of over 3,000 km will be put into operation and a total amount of over RMB1,000 billion will be invested by the end of the Twelfth Five Years. China has become the largest rapid transit system market in the world and demand for rapid transit vehicles is expected to grow rapidly.

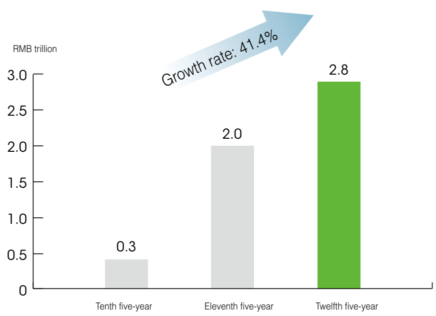
By virtue of technology absorption and self-innovation, the Company reinforced its strength in the research, development and manufacturing of rolling stocks, thus carving a leading edge in product quality and operation scale throughout the world. Competition is expected to intensify as the industry develops. 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.

The national operating railway mileage as at the end of the period



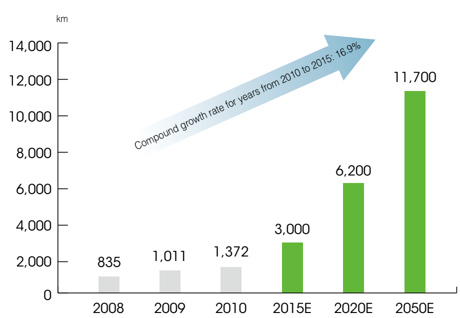
Sources: National Bureau of Statistics and Communique of the Ministry of Railways

Investment in railway infrastructure during the period



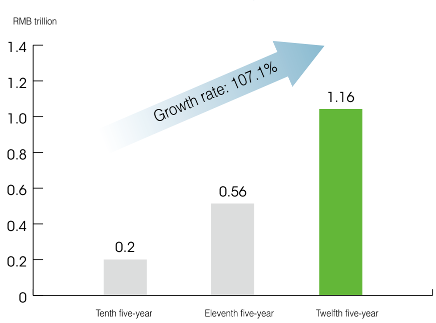
Sources: National Bureau of Statistics and Communique of the Ministry of Railways

Rapid growth potential in the mileage of urban rail transits in China



Sources: Websites of local governments, investment bank research reports and the Twelfth Five-Year Plan for the Development of the Comprehensive Communication and Transportation System (draft for comments) (《「十二五」綜合交通運輸體系發展規劃 徵求意見稿》)

Rapid growth potential in investment in urban rail transit industry



Sources: Statistical Yearbook of the Chinese Investment in Fixed Assets and investment bank research reports

2. Opportunities and challenges ahead of the Company

Sound development opportunities are underway. Firstly, in a bid to align railway construction with our national economy and the pace of social development, the Ministry of Railways will not cease to implement Twelfth Five-Year Plan of China's Railway" (中國鐵路「十二五」規劃) which will stimulate sustainably high demands for locomotive equipment in terms of the varieties produced and the quality and quantity of the products. This will therefore create opportunities for a leap forward in the rolling stock industry. Secondly, accelerating urbanisation (particularly the rapid economic development in regions such as the Yangtze River Delta, the Pearl River Delta, Bohai Bay Region, Chang-Zhu-Tan, Cheng-Yu as well as city clusters in the central part of China, Wuhan Meglopolis, Guanzhong — Tianshui (關中 — 天水) and city clusters in the West Coast of the Straits) will bring robust growth to intra-city and intercity transit system transportation, thereby giving fresh impetus to the rolling stock industry. Thirdly, the State's sweeping effort to promote its energy saving and emission reduction strategies, alongside the eco-friendly features and environmental protection advantages of rail transportation and rapid transit, has reinforced the pivotal role of the industry in the national economy and will favour a sustainable and rapid expansion in the rolling stock manufacturing arena. Fourthly, the State has established industry stimulus plans and a series of regional stimulus schemes, such as the Accelerating Adjustment and Stimulus Plan of Rolling Stock Manufacturing Industry (《加快裝備製造業調整振興計劃》). These, together with a series of preferential and favourable policies such as tax exemption for imports and refunds for exports of major stock manufacturing enterprises, will foster the development of rolling stock manufacturing enterprises. Fifthly, the State Council promulgated the Decision on Accelerating the Cultivation and Development of Strategic New Industries (《關於加快培育和發展戰略性新興產業的決定》), 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 energies. Given an improving real economy, the capacity expansion and industrial upgrade in the vehicle, electricity generation, petroleum and shipbuilding industries led to an increase in the demand for high quality machinery and electric products, which provides huge business potential for CSR's future development. Finally, as rolling stock industries in various countries around the world are either undergoing or will undergo a phase of renovation, the growing prominence of high speed trains on the global stage and the competitiveness in the increasingly advanced industrial chain in the domestic manufacturing sector will provide the rolling stock industry with a golden opportunity to "kick start" international operation.

Challenges that lie ahead for the Company are as follows: Firstly, the Ministry of Railway readjusted the direction of railway development. Under the detailed arrangement of railway construction projects, the development of railway shall "safeguard projects under construction, proceed with the requisite projects and focus on facilities" (保在建、上必需、重配套) and the pace and scale of construction are prohibited from going far beyond schedule and are required to be within the moderate range. Secondly, due to the lingering impact of the global financial crisis and the exacerbating euro debt crisis that impedes the take-off of the global economy, the expansion of the rolling stock market overseas and the development of businesses utilising proprietary rolling stock technologies have become much more difficult, not to mention the increase of its performance and exchange rate risks. Thirdly, more demanding requests from users and changing market dynamics will be the headwind to the sustainable development of the Company. Fourthly, excess liquidity around the globe is expected to lead to greater fluctuations in the price of basic production materials such as oil, water, electricity, steel products and non-ferrous metals, which will enhance the difficulties of controlling corporate operating costs. Lastly, rolling stock companies in China are confronted with even more fierce international competition, posing as grave challenges to the market competitiveness, technology innovation ability, corporate governance capability, risk prevention capability and the international operating capability of the Company.

3. Strategies and business planning of the Company

During the Twelfth Five-Year period, the Company will pool more resources into scientific research and establish an internationally advanced system that brings together studies of industry development, product research and development, production and manufacturing, in a bid to becoming one of the Global 500 and a highly renowned brand worldwide. Its goal in the mid to long term is to be an all-round rolling stock solutions provider with a leading edge across the globe. CSR's ranking in the Global 500 is rising steadily and its brand profile has been recognised worldwide.

Development planning of each major product line:

Locomotive operation: 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 the PRC to align with international advanced standards.

MU operation: MU is a stronghold in future development. The Company will increase the capacity, enhance the performance and optimise the product mix of MU operations, unifying their planning 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 operation: the Company aims to maintain its existing manufacturing capacity and leading edge by vigorously 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 operation: leveraging its existing production capability, the Company spares no efforts in technological renovation 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 division of passenger carriage and freight wagon operations in railway transportation as well as the vibrant development of heavy hauling and express freight wagons, and further cement its technological edge in China. In addition, it will vigorously 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 operations: in line with the market trend, the Company will expand and enhance rapid transit vehicle operations by setting up assembly and maintenance bases, optimising the industrial layout and improving overall capacity. 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. The Company will also energetically engage in the maintenance of rapid transit vehicles and component refurbishment operations, aiming to expand itself into a new business segment.

New businesses: in the coming years, alongside the focus on the traditional rolling stock products and innovations listed above, the Company will draw upon its technical expertise and advantages to develop extended products based on proprietary rolling stock technologies. Such products will include wind power equipment, electric automobiles, gear transmission systems, motors, project machines, engines and parts, industrial converters, electrical installations, high power electric devices, automobile part, elastic components and so forth. These will diversify the income stream and increase the business potentials of the Company for higher profitability and comprehensive competitiveness.

The Company will strive for an increase of over 10% in revenue for 2012. As such, it will focus on achieving the following tasks: (1) to capitalise on market changes for the innovation of marketing mode; (2) to accommodate market needs by virtue of independent innovation; (3) to adjust business composition and to optimize industry layout; (4) to upgrade management standard by strengthening lean management; (5) to improve products quality and refine service system; (6) to enhance capital operation efficiency through intensified financial and capital management; and (7) to perfect the management and control system by strengthening management and control at corporate level.

In 2012, in view of the development strategy and production and operating needs of the Company, it plans to invest RMB6.642 billion in fixed assets, mainly in projects of strategic importance to its development, such as MUs, inter-city MUs, maintenance services for rapid transit vehicles and its network construction, and rapid transits, railway freight wagons and projects that utilise proprietary rolling stock technologies. The capital requirements of the Company will be mainly financed by methods such as refinancing proceeds, medium-term note, internal resources and bank borrowings.

4. Major risks and counter-measures of the Company

(1) Risks on product quality:

As a rolling stock company, the Company produces products that concern public interest. In particular, with the large-scale commissioning of MUs, the quality of, and the operational safety of the Company's products will continue to concern the society and issues on product quality may lead to incidents that cause financial loss, injuries and deaths to the public. Any problems could have an adverse impact on the Company, or even cast a blow on industry development for a certain period of time.

Countermeasures:

The Company will strictly adhere to the technological standards of the Company and reinforce control over technologies; continue to promote streamlined and efficient production activities and strengthen standardized operational management; establish a product evaluation safety system to control quality risk from its origin; to continue to upgrade the technique and means of examination and verification to enhance its standards of examination; tighten control over product quality of suppliers and strengthen onsite supervision, appraisal of pilot products, quality review and other measures to expand the scope of quality control, to continue to promote standardized after-sale services to maintain the quality of products being put into operation; to further conduct training to enhance knowledge of quality, promotion and simulation of cases of onsite incidents and quality evaluation activities to boost awareness of quality among staff.

(2) Risks on market competitions:

With increasingly fierce competitions in the domestic rolling stock market, the Company faces mounting pressure from competitions. The Company needs to reinforce its edges over locomotives, passenger carriages, high-speed MUs and rapid transit vehicles so as to catch up with its peers in the freight wagon sector. As to the international market, the Company has, to a certain extent, lagged behind internationally renowned companies in terms of international operation and market expansion.

Countermeasures:

The Company will garner information relating to domestic and international politics, economics, laws, natural environment and competitors timely and effectively for accurate analysis of the changes of domestic and international market demand and comprehensive estimates of market trends. Double efforts 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.

(3) Risks on macro control policies:

The risks are significant when the rolling stock manufacturing industry where the Company has a presence is under the supervision of the industry and sector policies of the State. The Ministry of Railways together with all of its railway bureaus are major customers of the Company. As reforms on the national railway system deepens, any change in the macro control policies of the State will have a direct impact on the restructuring of the Company's industry profile, market share and achievement of business goals, which will seriously impede corporate development.

Countermeasures:

The Company will strengthen collection and research of information relating to China's macro control policy and industry policies, increase efforts in estimates and judgement of the direction of the macro control policy, establish and develop a diversified Industry and product portfolio that relate to rolling stock, and bolster the Company's capability to stave off risks arising from changes In the macro control policy.

(4) 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 within the Company and affect its normal production operation.

Counter-measures:

The Company will establish and improve its natural disaster contingency plan, organise disaster response drills amongst companies and increase the awareness of disaster prevention, so as to minimise the losses and impacts of natural disasters.

B. INVESTMENTS OF THE COMPANY

(1) Use of proceeds

1. Use of proceeds raised from H Share offering

In 2008, the Company raised aggregate proceeds of HK$4.784 billion from the listing of H shares. Actual capital received amounted to HK$4.647 billion after netting off relevant issuing expenses. As at 31 December 2011, a total of approximately HK$4.606 billion of proceeds raised from H share offering were used (including HK$0.39 billion used as capital contribution to CSR Hong Kong), an aggregate listing fees of HK$57 million incurred and an aggregate of HK$66 million of interest from bank deposits was received. In 2011, approximately HK$664 million of such proceeds was used in total, among which HK$21 million was used to acquire advanced foreign R&D, manufacturing and laboratory equipments, whereas HK$622 million was used to acquire foreign key components which would facilitate the domestic production of complete rolling stock units, and HK$21 million was used to import foreign key technologies for railway locomotives.

As at 31 December 2011, the balance of proceeds raised from H share offering in the designated proceeds account of the Company amounted to approximately HK$50 million (including bank interest). The balance of proceeds as at the end of the year was approximately HK$39 million more than that as at mid 2011, mainly attributable to the fact that certain projects which used foreign critical components to facilitate the domestic production of complete rolling stock units had been adjusted and the proceeds originally used for the purchase were temporarily withdrawn from these projects. The use of proceeds stated above are in strict compliance with the prospectus and relevant approvals from the State Administration of Foreign Exchange and supervised by the bank where such account is opened.

On 8 March 2011, the Company published an announcement on the adjustment to the usage proportion of proceeds raised from H share offering. In consideration of the great demand for proceeds in the procurement of advanced foreign equipment for research and development, manufacturing and testing as well as the import of critical components which facilitate the domestic production of complete rolling stock units, the Board was of the opinion that it was necessary to adjust the proposed usage proportion of proceeds raised from H share offering and resolved to approve the use of all remaining proceeds raised from H share offering in the procurement of advanced foreign equipment for research and development, manufacturing and testing as well as the import of critical components which facilitate the domestic production of complete rolling stock units.

2. Use of proceeds raised from A Share offering

The Company raised net proceeds of RMB6,369.41 million from the initial public offering of A Shares in August 2008. In 2011, the Company invested RMB22.55 million of the proceeds in projects to be funded by proceeds. As at the end of the reporting period, a total of RMB6,392.52 million was used.

The balance in the designated proceeds account of the Company aggregated to RMB87 as at 31 December 2011, all being the interest arising from the raised proceeds deposited with banks.

(2) Material projects not funded by proceeds from share offerings

In 2011, the Company's investment projects not funded by proceeds from the share offerings amounted to RMB4,019 million, mainly including enhancement of industrialisation of Times Electric converters (時代電氣變流器產業化提升), the construction of Tianjin rapid transit vehicle base, the overall relocation from urban area to the suburb of CSR Shijiazhuang, Upgrade & Expansion of Air-conditioning Units of Shijiazhang Guoxiang Company, ZELRI's Industrialisation of Complete Wind Power Generating Units In Tianjin (株洲所天津風電整機產業化建設), ZTNM's Tianjin wind power blade industrialisation and capacity expansion project for polymeric shock-absorbing and noise reducing springs.

(3) Entrusted Investment and Entrusted Loans

1. Entrusted investment

The Company did not entrust any major investment during the year.

2. Entrusted loans

The Company did not entrust any loans during the year.

C. REASONS FOR CORRECTION OF ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR MATERIAL ACCOUNTING ERRORS OF THE COMPANY AND EXPLANATION ON THEIR EFFECTS

During the reporting period, there were no changes in the accounting policies or accounting estimates, corrections of significant accounting errors, supplementation of significant information omitted or amendments of results forecasts of the Company.

D. EXPLANATION FOR THE SELECTION OF MAJOR ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

For details, please refer to Note 2 "Basis of preparation and accounting policies" to the financial statements prepared under IFRS in this annual report.

E. ESTABLISHMENT OF A COMPREHENSIVE MANAGEMENT SYSTEM OF EXTERNAL INFORMATION USERS OF THE COMPANY

The Company had formulated the Administrative Measures on Holders of Insider Information, pursuant to which the provision of information to external information users was specified in "Chapter 4: Management on External Information Users" thereof. During the reporting period, the Company amended the Administrative Measures on Holders of Insider Information in accordance with the latest requirements of regulatory authorities.

F. STATEMENT OF THE BOARD OF DIRECTORS ON THE RESPONSIBILITY OF INTERNAL CONTROL

The Board is responsible for the establishment of a comprehensive and effectively executed internal control system of the Company, and conducted evaluation on the internal control of financial statements pursuant to legal and regulatory requirements under the Guidelines on Internal Control of Listed Companies of the Shanghai Stock Exchange, the Code on Corporate Governance Practices and Basic Standards for Enterprise Internal Control of the Hong Kong Stock Exchange as well as complementary guidelines, and was of the opinion that the evaluation was effective on 31 December 2011, (the "base date"). Upon evaluation, there was no significant deficiency in the design and execution of the Company's internal control. The Company's internal control system was under sound and effective operation.

G. ESTABLISHMENT AND EXECUTION OF THE ADMINISTRATIVE MEASURES OF REGISTRATION OF HOLDERS OF INSIDER INFORMATION

The Company formulated the Administrative Measures on Holders of Insider Information and made amendments pursuant to the latest requirements stipulated by regulatory authorities during the reporting period. During the reporting period, the Company strictly implemented the administrative measures on registration of insider information. According to the Company's self-evaluation, none of the holders of insider information had made use of insider information in share transactions before disclosure of any significant price-sensitive information that may affect the share price of the Company, nor had they been subject to regulatory measures and administrative penalties imposed by regulatory authorities due to alleged insider trading.

H. PROBLEMS OF ENVIRONMENTAL PROTECTION AND OTHER MAJOR SOCIAL SECURITY PROBLEMS

The Company did not have any major environmental protection or other major social security problems.

I. FORMULATION AND EXECUTION OF CASH DIVIDEND POLICY

In accordance with the provisions of the Articles of Association, the Company's profit distribution policy shall remain consistent and stable. The Company may distribute dividends in cash and in the form of shares (or both). The Company may distribute cash dividends as appropriate provided that sufficient capital is maintained for ordinary operation and development needs of the Company.

The profit distribution of the Company was in compliance with the above requirements. It performed the procedures required under the Articles of Association and fulfilled its obligation of information disclosure, thus maintained the legitimate rights and interests of all shareholders.

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

According to the Company Law, the Securities Law, relevant fiscal policies and the Articles of Association, in consideration of the financial position of the Company, the Board proposed a profit distribution to shareholders of RMB0.18 (tax inclusive) per share, which aggregates to a total dividend of RMB2,485 million. The distribution proposal is subject to consideration and approval at the general meeting of the Company.

The Company will issue a separate announcement regarding the record date for the payment of H Share dividends and date of closure of register of members of the Company.

Under relevant regulations of China Securities Depository and Clearing Corporation and according to the market practice adopted for dividend distribution for A Shares, the Company will publish a separate announcement in respect of the dividend distribution to holders of A shares for the year 2011 after the 2011 annual general meeting to determine the record date and ex-rights date for dividend distribution to the holders of A Shares for the year 2011.

K. DIVIDEND DISTRIBUTIONS OR CONVERSION OF SURPLUS RESERVES INTO SHARE CAPITAL AND DISTRIBUTIONS MADE IN THE LAST THREE YEARS

Unit: RMB0'000 Currency: RMB

Year of distribution	Amount of cash dividends (tax inclusive)	Net profit attributable to the owners of the parent in the consolidated financial statement during the year of distribution	Percentage of net profit attributable to the owners of the parent in the consolidated financial statement (%)
2008	37,888	138,424	27.37
2009	47,360	167,815	28.22
2010	47,360	252,630	18.75

L. TAX AND TAX RELIEF

In accordance with Enterprise Income Tax Law of the People's Republic of China and its implementation rules which became effective as of 1 January 2008, 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). In accordance with 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 a Chinese resident enterprise pays dividends for 2008 and subsequent years to overseas holders of H shares which are overseas non-resident enterprises.

According to relevant changes in the PRC tax laws and regulations, the individual shareholders who hold the Company's H shares and whose names are registered in the H shareholders' register of the Company can no longer be exempted from the individual income tax when the Company distributes dividend for 2010 and subsequent years. Those individual shareholders may generally pay individual income tax at a rate of 10% (the applicable tax rate for resident of Hong Kong and Macau is 10%) for dividends received from the Company in accordance with the provisions of applicable tax agreements between the countries and/or regions in which they reside and the PRC as well as the tax arrangements made between the Mainland China and Hong Kong (Macau). Such tax shall be withheld by the Company and no separate application is necessary. Individual H shareholders whose actual applicable tax rate for dividends is not 10% could proceed with their payment of individual income tax in accordance with relevant requirements set out in the Circular On the Individual Income Tax Matters after the Repeal of Guo Shui Fa [1993] No. 045 Circular (Guo Shui Han [2011] No. 348).

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.

M. CONNECTED TRANSACTIONS

Major connected transactions of the Company in 2011 under the Hong Kong Listing Rules are as follows:

(I) Non-exempt Connected Transactions

1. The connected transaction in relation to the acquisition of CSR Xiangfan Motor

ZELRI, a wholly-owned subsidiary of the Company, and CSR Luoyang Works, a subsidiary of CSRG, entered into an agreement on 31 March 2011, pursuant to which CSR Luoyang Works agreed to sell and CSR ZELRI agreed to purchase 84.38% equity interest held by CSR Luoyang Works in CSR Xiangfan Motor. The consideration for the Transaction was RMB50,551,383 and will be paid by CSR ZELRI in cash. As CSRG is the controlling shareholder of the Company and CSR Luoyang Works is a wholly-owned enterprise of CSRG, the entering into of the agreement between CSR Luoyang Works and ZELRI constituted a connected transaction for the Company as defined under Rule14A.13(1) of the Hong Kong Listing Rules. As more than one applicable size test percentage ratios in relation to the Transaction exceeded 0.1% but none reached 5%, the Transaction was subject to the reporting and announcement requirements but was exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The transaction met the needs of the overall strategic development of both ZELRI and the Company by reinforcing the industrial integration of ZELRI and CSR Xiangfan Motor in the pre-stressed bridge and electric machinery business sectors. Such integration may had a positive impact on the enhancement of the profitability and sustainable development of the Company through unleashing the advantage of business scale and the formulation of complementary strengths and mutual development. The transaction had been considered and approved at the 24th meeting of the first session of the Board of the Company. During the reporting period, the acquisition transaction was completed and CSR Xiangfan Motor changed its name into Xiangyang CSR Electric Machinery Technology Co., Ltd. (''XE'').

For details of the transaction, please refer to the connected transaction announcement on acquisition of equity interest in CSR Xiangfan Motor published by the Company on the website of the Hong Kong Stock Exchange at 30 March 2011.

2. The connected transaction relating to CSRG's subscription of A shares under the non-public issue of the Company

Relevant proposals in respect of the non-public issue of A shares of the Company were considered and approved at the 8th meeting of the second session of the Board held on 16 September 2011, pursuant to which the Company intended to issue not more than 1,963,000,000 new A shares to not more than ten (or subject to the upper limit as stipulated by relevant laws and regulations at the time of the issuance) target subscribers (including CSRG, the controlling shareholder) by way of non-public issue. The total proceeds to be raised shall not exceed RMB9,000 million. CSRG intended to subscribe at a total consideration of not less than RMB6,000 million payable in cash. On 16 September 2011, the Company and CSRG entered into the Conditional Subscription Agreement For Non-public Issue of Shares Between CSR Corporation Limited and CSR Group. As CSRG is a controlling shareholder of the Company, the above transaction constitutes a connected transaction for the Company as defined under Chapter 14A of the Hong Kong Listing Rules.

The connected Director had not exercised his voting right nor exercised such right on behalf of other Directors during the voting of the proposals relating to the above connected transaction. Other non-connected Directors with voting rights considered and passed the relevant proposal unanimously.

Upon completion of the non-public issue of A shares, the general development capabilities of the Company will be strengthened, thus enabling the Company to achieve its strategic goals. The capital strength of the Company will increase, its capital structure will be optimized and its pressure on repayment of liabilities will be alleviated to a certain degree, and the Company's resilience against financial risks will be effectively boosted.

The non-public issue of A shares of the Company had been approved by the SASAC and was considered and passed at the 2011 Second Extraordinary General Meeting of the Company, and was subsequently approved by the CSRC. The registration of the non-public issue of A shares was completed on 15 March 2012.

(II) Non-exempt Continuing Connected Transactions

In accordance with the amended Hong Kong Listing Rules that took effect from 3 June 2010, in respect of the continuing connected transactions entered into between the Company and Xi'an Kaitian, Jilin Midas, CRGL and KYB, all relevant parties of such transactions were connected persons of the Company at subsidiary level. As the respective assets, profits and revenue size test ratios of each of the relevant subsidiaries of the Company represent less than 5% for 2010 and 2011, each of the relevant subsidiaries shall be considered as an insignificant subsidiary of the Company pursuant to the amended Rule 14A.31(9)(b) of the Hong Kong Listing Rules. The transactions between the Group and such connected persons shall be exempted from reporting, annual review, announcement and independent shareholders' approval requirements.

In accordance with the relevant requirements of the Hong Kong Listing Rules, the Company still needs to disclose its continuing connected transactions with CSRG. The annual caps for the Company's continuing connected transactions with CSRG and their actual transaction amounts during the reporting period are as follows:

Unit: RMB million

No.	Connected transactions	2011 annual caps	Actual transaction amount in 2011
1	Aggregate procurement value under Mutual Product Supply Framework Agreement with CSRG	**981.53**	279.18
2	Aggregate sales value under Mutual Product Supply Framework Agreement with CSRG	**804.98**	291.47

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 on 28 December 2010 in relation to the renewal of Mutual Product Supply Framework Agreement with CSRG and for the determination of annual caps of the transactions for years from 2011 to 2013. The renewal agreement officially came into effect on 1 January 2011. The main contents of the renewal agreement include that the sale of ancillary products by any party to the other party shall be made on terms no less favorable than those available to or, where appropriate, from independent third parties under comparable conditions. Otherwise, the other party is entitled to engage other supplier(s) for necessary ancillary products.

In respect of the aforesaid continuing connected transactions between the Company and CSRG In 2011, 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 were exempted from the independent shareholders' approval requirements, and are only subject to the reporting, annual review and announcement requirements under the Hong Kong Listing Rules. The Company has complied with the disclosure requirements of connected transactions in accordance with Chapter 14A of the Hong Kong Listing Rules.

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

- in the ordinary and usual course of business of the Group;
- conducted on normal commercial terms or 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 Group 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 of directors;
- such transactions are in accordance with the pricing policies of the Company;
- such transactions are entered into in accordance with the relevant agreement governing the transactions; and
- the disclosed continuing connected transactions have not exceeded the maximum aggregate annual cap disclosed in announcements made by the Company in respect of the disclosed continuing connected transactions.

Save as the above, pursuant to the Hong Kong Listing Rules, certain related party transactions in Note 43 to the consolidated financial statements of the Company also constitute continuing connected transactions (as defined in Chapter 14A of the Hong Kong Listing Rules, Such related party transactions have complied with the disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules.

(III) Non-Competition Agreement

CSRG confirmed that it did not violate the commitments under Non-Competition Agreement entered into with the Company on 10 January 2008 (as supplemented by a supplementary agreement dated 15 July 2008) in 2011. 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 requirements under the agreement in 2011.

N. OTHER DISCLOSEABLE MATTERS

Principal Operations

The Group and the Company are 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 related to proprietary technologies for rail transit facilities.

Major Customers and Suppliers

Please refer to relevant sections of the Management Discussion and Analysis in this annual report for details of the Company's major customers and suppliers.

Reserves

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

Reserves Available for Distribution

Please refer to Note 38 to the financial statements prepared under IFRS in this annual report for details of the Company's reserves available for distribution.

Share Capital

Please refer to relevant sections under "Changes in Share Capital and Particulars about Shareholders" in this annual report for details of the Company's share capital.

Bank loans and Other Loans

Please refer to Note 33 to the financial statements prepared under IFRS in this annual report for details of the Group and the Company's bank loans and other loans as at 31 December 2011.

Property, Plant and Equipment

Please refer to Note 14 to the financial statements prepared under IFRS in this annual report for details of changes in the Group and the Company's property, plant and equipment for 2011.

Donations

The Group's charitable and other donations amounted to approximately RMB3.835 million during the reporting period.

Service Contracts of Directors and Supervisors

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

Directors and Supervisors' Interests in Contracts

None of the Company or its subsidiaries entered into any contract of significance in which Director or Supervisor of the Company held, either directly or indirectly, any material interests for the year ended 31 December 2011.

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

The Company or its subsidiaries did not provide the Directors, Supervisors or other Senior Management with any loans or quasi loans.

The 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 Group.

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.

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.

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.

Employee Retirement Plan

Details of the Company's employee retirement plan are set out in Note 34 to the financial statements prepared under IFRS in this annual report.

Directors, Supervisors And Senior Management

BASIC PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

1. Zhao Xiaogang
   Chairman, Executive Director
2. Zheng Changhong
   Vice Chairman, Executive Director and President
3. Tang Kelin
   Executive Director and Vice President
4. Liu Hualong
   Executive Director and Vice President
5. Zhao Jibin
   Independent Non-executive Director
6. Yang Yuzhong
   Independent Non-executive Director
7. Chen Yongkuan
   Independent Non-executive Director
8. Dai Deming
   Independent Non-executive Director
9. Tsoi, David
   Independent Non-executive Director

(I) BASIC PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR RESPECTIVE SHAREHOLDINGS IN THE COMPANY

Unit: 0'000 shares

Name	Position	Gender	Age	Commencement of term of office	Expiration of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Reason of the change
Zhao Xiaogang	Chairman Executive Director	M	60	26 April 2011	—	0	8	Purchase
Zheng Changhong	Vice Chairman Executive Director President	M	56	26 April 2011	—	0	6	Purchase
Tang Kelin	Executive Director Vice President	M	59	26 April 2011	—	0	5	Purchase
Liu Hualong	Executive Director, Vice President	M	49	26 April 2011	—	0	5	Purchase
Zhao Jibin	Independent Non-executive Director	M	59	26 April 2011	—	0	3	Purchase
Yang Yuzhong	Independent Non-executive Director	M	67	26 April 2011	—	0	3	Purchase
Chen Yongkuan	Independent Non-executive Director	M	65	26 April 2011	—	0	3.41	Purchase
Dai Deming	Independent Non-executive Director	M	49	26 April 2011	—	0	3	Purchase
Tsoi, David	Independent Non-executive Director	M	64	26 April 2011	—	0	5	Purchase
Wang Yan	Chairman of the Supervisory Committee	M	56	26 April 2011	—	0	3	Purchase
Sun Ke	Supervisor	M	56	26 April 2011	—	0	0	—
Qiu Wei	Employee Representative Supervisor	M	52	26 April 2011	—	0	3	Purchase
Zhang Jun	Vice President	M	56	26 April 2011	—	0	5	Purchase
Fu Jianguo	Vice President	M	48	26 April 2011	—	0	5	Purchase
Zhan Yanjing	Vice President Chief Financial Officer	F	48	26 April 2011	—	0	5	Purchase
Shao Renqiang	Secretary to the Board	M	47	26 April 2011	—	0	3	Purchase

* Except Director Tsoi, David who held 50,000 H shares of the Company as shown in the above table, all the other Directors, Supervisors and senior management of the Company held A shares of the Company.

Major working experience of Directors, Supervisors and Senior management:

Directors

ZHAO XIAOGANG

Chairman, Executive Director

aged 60, has served as chairman of the second session of the Board, executive Director and party secretary of the Company, and general manager and deputy party secretary of CSRG. Mr. Zhao had many years of senior managerial experience in manufacturing enterprises of rolling stock, abundant industry knowledge and extensive operations management experience. Mr. Zhao was party secretary and deputy director of Zhuzhou Electric Locomotive Research Institute under the Ministry of Railways, and the head and deputy party secretary of Zhuzhou Electric Locomotive Works under the Ministry of Railways. He was also the vice chairman and general manager of CSRG. Since December 2007, he has served as the chairman of the first session of the Board and executive Director of the Company. Mr. Zhao is a Deputy to the 9th session of the National People's Congress as well as a standing council member of the China Communication and Transportation Association and the China Railway Society. Mr. Zhao graduated from the International Business School of Hunan University with a master's degree majoring in Engineering Management, and obtained the Senior Professional Manager qualification (a talent with unique contribution) awarded by China Enterprise Confederation and China Enterprise Directors Association. Mr. Zhao is a professor level senior engineer.

ZHENG CHANGHONG

Vice Chairman, Executive Director, President and Senior Management

aged 56, has served as the vice-chairman of the second session of the Board, executive Director, president and deputy party secretary of the Company, and CSRG's party secretary. Mr. Zheng possesses in-depth knowledge and extensive operational and management experience in the industry which the Company specializes in. Mr. Zheng worked as deputy managing director of Beijing Feb. 7th Locomotive Works under the Ministry of Railways, director of the Head Office, a director and the deputy general manager of LORIC, CSRG's director and deputy general manager and Deputy General Manger. Since December 2007, he served as the vice chairman of the first session of the Board, the executive Director and president 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 awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a professor-grade senior engineer and a part-time professor of Lanzhou Jiaotong University.

TANG KELIN

Executive Director, Vice President and Senior Management

aged 59, has been an executive Director of the second session of the Board and vice president of the Company, as a standing member of the Party Committee of the Company and CSRG. Mr. Tang has extensive technology and operation management experience in the industry which the Company specializes in. Mr. Tang was head of the General Technology Division of the Engineering Section under the Ministry of Railways and head of the Locomotive Technology Inspection Division of the Equipment Section under the Transport Bureau. He was a director and deputy general manager of CSRG. and has served as an executive Director of the first session of the Board and vice president of the Company since December 2007. Mr. Tang graduated from Southwest Jiaotong University majoring in combustion locomotive. He obtained the Senior Professional Manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a professor level senior engineer who is entitled to a special government grant granted by the State Council.

LIU HUALONG

Executive Director and Senior Management

aged 49, has been the executive Director of the second session of the Board and vice president of the Company, as well as a standing member of the Party Committee of the Company and 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, and deputy Party secretary and the secretary of the disciplinary committee of the Company. Since December 2007, he has served as the executive Director of the first session of the Board of the Company. Mr. Liu graduated from Dalian Railway Institute majoring in welding. He obtained the Senior Professional Manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a professor level senior engineer.

ZHAO JIBIN

Independent non-executive Director

aged 59, has been an independent non-executive Director of the second session of the Board of the Company. He also serves as the deputy general manager and member of party group of China Mobile Communications Corporation, and the chairman and party secretary of China Tietong Communications Corporation. Mr. Zhao served as head and deputy party secretary of Hohhot Railway Bureau and Zhengzhou Railway Bureau successively, and has served as an independent non-executive Director of the first session of the Board 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.

YANG YUZHONG

Independent non-executive Director

aged 67, has been an independent non-executive director of second session of the Board 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 first session of the Board 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 who receives a special government subsidy from the State Council. He was offered the title of Foreign Member of the Royal Aeronautical Society in the United Kingdom.

CHEN YONGKUAN

Independent non-executive Director

aged 65, has been an independent non-executive director of the second session of the Board 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 first session of the Board 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.

DAI DEMING

Independent non-executive Director

aged 49, has been an independent non-executive director of the second session of the Board of the Company. He is also an external supervisor of China Construction Bank Corporation, an independent non-executive director of Shanxi Taigang Stainless Steel Co., Ltd., professor of the Accounting Department of the School of Business of Renmin University of China, vice-chairman of the China Accounting Institution, and vice secretary-general of the National MPAcc Education and Instruction Commission. Mr. Dai had served as Lecturer of Zhongnan University of Economics, as well 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 first session of the Board 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.

TSOI DAVID

Independent non-executive Director

aged 64, has been an independent non-executive director of the second session of the Board 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 and Enviro Energy International 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 first session of the Board 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, Macau Society of Certified Practising Accountants 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.

WANG YAN

Supervisor

aged 56, is the chairman of the Company's second session of the supervisory committee and a shareholder representative supervisor. 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 first session of the 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.

SUN KE

Supervisor

aged 56, is a supervisor of the second session of the Board and shareholder representative supervisor of the Company. He is the deputy chief economist and head of the Audit and Risk Department of the Company, and a part-time supervisor of the Supervisory Committee of State-Owned Enterprises under SASAC. Since December 2008, he has served as the chairman of supervisory committee of Times New Material. Mr. Sun has extensive knowledge and experience in operations management in the Company's specialized 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 of CSRG as well as chairman and director of Assets Management Center of Beijing Railway Industry Trade Company. 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.

QIU WEI

Supervisor

aged 52, is an employee representative supervisor of the second session of the supervisory committee as well as the deputy director of the Working Committee of Labor Union of the Company since January 2008. He is also currently the vice chairman of CSRG's labour union. 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). Since December 2009, he has served as the employee representative supervisor of the first session of the supervisory committee of the Company. 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.

ZHANG JUN
Senior management member

aged 56, is the vice president of the Company 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, 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 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.

FU JIANGUO
Senior management member

48, is a vice president of the Company 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 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 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.

ZHAN YANJING

Vice President, Chief Financial Officer

aged 48, is the vice president and chief financial office of the Company, as well as a standing member of the Party Committee of the Company and a standing member of the Party Committee of CSRG. Ms. Zhan has extensive financial knowledge of, and management experience in, the equipment-manufacturing industry. Ms. Zhan served as chief economist as well as director and deputy general manager of Henan Diesel Engine Group Co., Ltd. (河南柴油機廠(集團公司)), a subsidiary of China Shipbuilding Industry Corporation; deputy manager of the Securities Department, manager of the Finance Department, deputy chief accountant and manager of the Finance Department, 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 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's Guanghua School of Management. 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.

SHAO RENQIANG

Secretary of the Board

aged 47, is the secretary of the second session of the Board of the Company, the joint company secretary and news spokesperson of the Company as well as a director of CSR Sifang. 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 Stock Works under the Ministry of Railways; chief accountant of CSR Sifang Locomotive and Rolling Stock Works; deputy general manager and chief accountant of CSR Sifang; and head of audit department of CSRG. Since December 2007, he has served as the secretary of the first session of the Board of the Company. Mr. Shao graduated from Northern Jiaotong University specializing in financial accounting, and obtained his MBA from Tongji University. Mr. Shao, who studied public administration at the University of Illinois in USA, obtained the senior professional manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a senior accountant.

3. SHARE INCENTIVE SCHEME GRANTED TO DIRECTORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Unit: Share

Name	Position held	Number of share options held in the beginning of the year	Number of new share options granted during the reporting period	Number of exercisable share options during the reporting period	Number of share options exercised during the reporting period	The exercise price of share options *(RMB/ share)*	The number of share options held as of the end of the period
Zhao Xiaogang	Chairman, Executive Director	Nil	200,000	Nil	Nil	5.43	200,000
Zheng Changhong	Vice Chairman, Executive Director, President	Nil	200,000	Nil	Nil	5.43	200,000
Tang Kelin	Executive Director, Vice President	Nil	170,000	Nil	Nil	5.43	170,000
Liu Hualong	Executive Director, Vice President	Nil	170,000	Nil	Nil	5.43	170,000
Zhang Jun	Vice President	Nil	170,000	Nil	Nil	5.43	170,000
Fu Jianguo	Vice President	Nil	170,000	Nil	Nil	5.43	170,000
Zhang Yanjing	Vice President, Chief Financial Officer	Nil	170,000	Nil	Nil	5.43	170,000
Shao Renqiang	Secretary of the Board	Nil	150,000	Nil	Nil	5.43	150,000

* The share option scheme set out in the above table comprised A share options under the share option scheme considered and approved at the extraordinary general meeting of the Company held on 26 April 2011.

(II) POSITIONS HELD IN SHAREHOLDERS AND OTHER ENTITIES

Positions held in shareholders

Name	Name of the shareholder	Position held	Commencement of term of office	Expiration of term of office	Whether receiving remuneration or allowance
Zhao Xiaogang	CSRG	General Manager	September 2000	—	No
Wang Yan	CSRG	Assistant to General Manager	March 2007	—	Yes

Positions held in other entities

Name	Names of other entities	Position held	Commencement of term of office	Expiration of term of office	Whether receiving remuneration or allowance
Zhao Jibin	China Tietong Communications Corporation	Chairman, Party Secretary	October 2003	—	Yes
	China Mobile Communications Corporation	Deputy General Manager, Party Member	May 2008	—	
Yang Yuzhong	China Aviation Industry Corporation	Consultant	August 2006	—	No
	China Materials Group Corp., Ltd.	External Director	December 2009	—	Yes
	Air China Limited(1)	Independent Non-executive Director	May 2011	—	Yes
Chen Yongkuan	Metallurgical Corporation of China Ltd.(2)	Independent Non-executive Director	November 2008	—	Yes
Dai Deming	Renmin University of China	Professor	June 1996	—	Yes
	China Construction Bank Corporation	External Supervisor	June 2007	—	Yes
	Shanxi Taigang Stainless Steel Co., Ltd.(3)	Independent Non-executive Director	July 2011	—	Yes
Tsoi, David	Melco LottVentures Limited(4)	Independent Non-executive Director	October 2001	—	Yes
	Alliott, Tsoi CPA Limited	Director and General Manager	September 2004	—	Yes
	Enviro Energy International Holdings Limited(5)	Independent Non-executive Director	July 2008	—	Yes
Wang Yan	CSR Sifang	Chairman of the Supervisory Committee	July 2002	—	No
	CSR Ziyang	Supervisor	May 2006	—	No
Sun Ke	Times New Material	Chairman of the Supervisory Committee	December 2008	—	No
	Supervisory Committee of State-Owned Enterprises under SASAC	Part-time Supervisor	June 2010		No
Shao Renqiang	CSR Sifang	Director	July 2002	—	No

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).

(III) REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Procedures for determination basis and decision-making procedures 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. 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.

2. Payment of remuneration to 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. Particulars are as follows:

Unit: RMB0'000

Name	Position held	Welfare expenses including basic pension insurance	Total amount before tax	Whether receiving remuneration or allowance from shareholders or other associates amount before tax	Whether receiving remuneration or allowance from shareholders or other associates
Zhao Xiaogang	Chairman Executive Director	75.61	6.59	82.20	No
Zheng Changhong	Vice Chairman Executive Director President	75.61	6.59	82.20	No
Tang Kelin	Executive Director Vice President	68.05	6.59	74.64	No
Liu Hualong	Executive Director, Vice President	68.05	6.59	74.64	No
Zhao Jibin	Independent Non-executive Director			17.10	No
Yang Yuzhong	Independent Non-executive Director			18.60	No
Chen Yongkuan	Independent Non-executive Director			17.50	No
Dai Deming	Independent Non-executive Director			19.30	No
Tsoi, David	Independent Non-executive Director			17.30	No
Wang Yan	Chairman of the Supervisory Committee	—	—	—	Yes
Sun Ke	Supervisor	38.87	6.59	45.46	No
Qiu Wei	Employee Representative Supervisor	38.57	6.59	45.16	No
Zhang Jun	Vice President	66.54	6.59	73.13	No
Fu Jianguo	Vice President	66.54	6.59	73.13	No
Zhan Yanjing	Vice President	66.54	6.59	73.13	No
Shao Renqiang	Chief Financial Officer Secretary to the Board	44.72	5.63	50.35	No

* 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

At the extraordinary general meeting held on 26 April 2011, the Company elected all members of the first session of the Board to continue to serve as members of the second session of the Board, among which: Zhang Xiaogang, Zheng Changhong, Tang Kelin and Liu Hualong would serve as executive Directors of the second session of the Board, while Zhao Jibin, Ynag Yuzhong, Chen Yongkuan, Dai Deming and Tsoi David would serve as independent non-executive Directors of the second session of the Board. Wang Yan and Sun Ke would serve as shareholder representative Supervisors of the second session of the Supervisory Committee, and form the second session of the Supervisory Committee together with Qiu Wei, the employee representative Supervisor elected at the employee congress held previously, among which Wang Yan and Qiu Wei were Supervisors of the first session of the Supervisory Committee whereas Sun Ke was a newly appointed Supervisor. Li Jianguo, shareholder representative Supervisor of the first session of the Supervisory Committee, has reached the age of retirement.

At the first meeting of the second session of the Board, Zhao Xiaogang was elected to continue to serve as the chairman of the Board while Zheng Changhong was elected to continue to serve as the vice chairman of the Board.

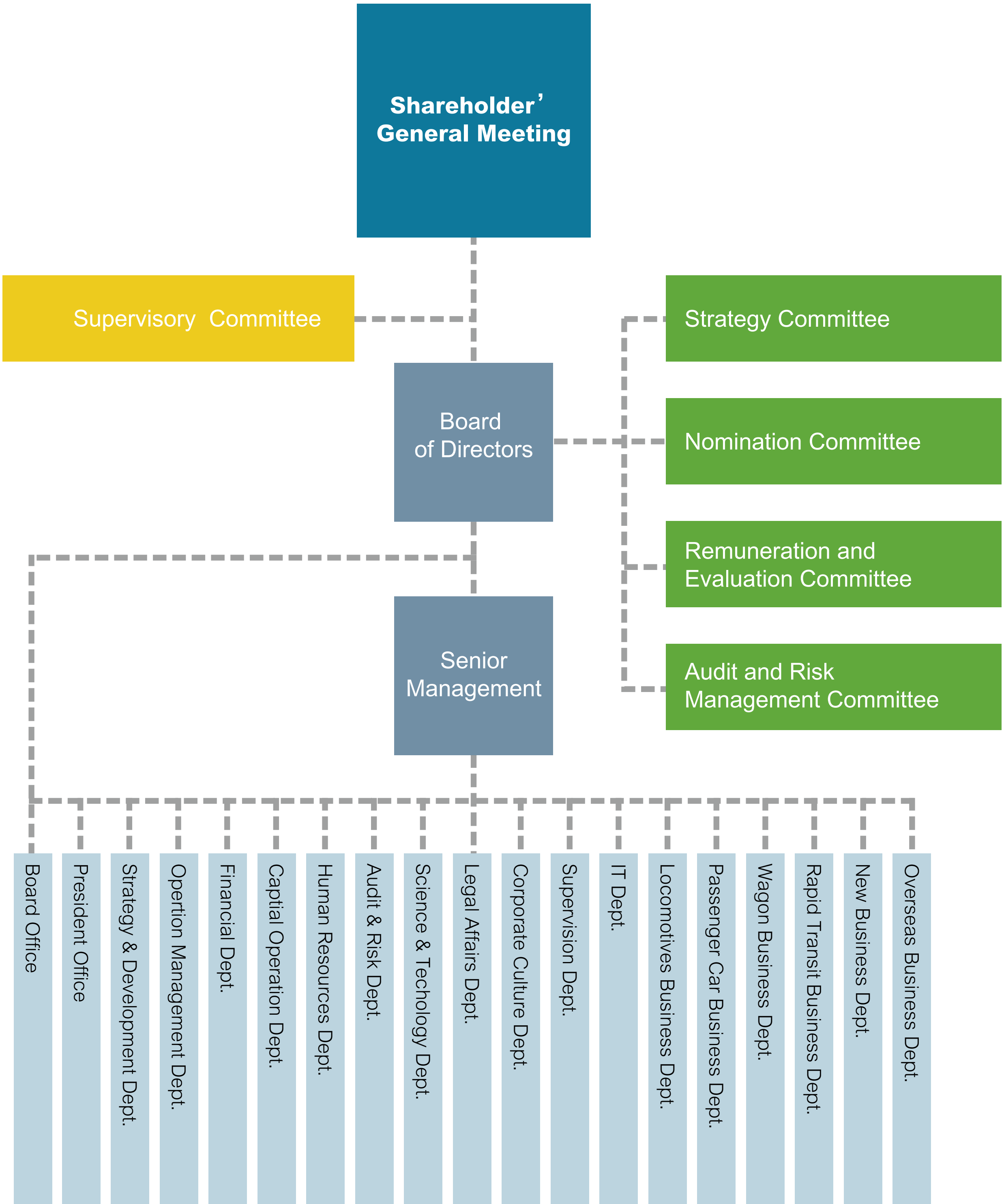
At the first meeting of the second session of the Supervisory Committee, Wang Yan was elected to continue to serve as the chairman of the Supervisory Committee.

According to the recommendation made by the first meeting of the Nomination Committee of the second session of the Board, the second meeting of the second session of the Board continued to appoint Zheng Changhong as the president of the Company, Tang Kelin, Zhang Jun and Fu Jianguo as the vice presidents of the Company, Zhan Yanjing as the vice president and chief financial officer of the Company, Shao Renqiang as secretary of the Board. According to the recommendation made by the second meeting of the Nomination Committee of the second session of the Board, the ninth meeting of the second session of the Board appointed Liu Hualong as the vice president of the Company.

New CSR,
New Creation

Corporate Governance Report

The Company's overall corporate governance structure is set out below:



(I) CORPORATE GOVERNANCE

During the reporting period, the Company put forward corporate governance work in strict compliance with the laws, regulations and requirements of the listing rules of stock exchanges such as the Company Law, the Securities Law, the Rules Governing the Listing of Shares on the Shanghai Stock Exchange and the Hong Kong Listing Rules. It established a modern corporate governance structure featuring "three meetings and one management" and an effective corporate governance mechanism consisting of the general meeting (as the highest authority), the Board (as the decision-making body), the Supervisory Committee (as the supervisory body) and the management (as the executive body). 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 PRC and Hong Kong.

The Company established the system for corporate governance practice according to the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules. After reviewing the corporate governance documents adopted by the Company, the Board is of 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 CG Code. In certain aspects, the corporate governance practices adopted by the Company are more stringent than code provisions set out in the CG Code.

(II) SHAREHOLDERS AND GENERAL MEETINGS

1. Shareholders and general meetings

Safeguarding shareholders' interest 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 related resolutions in strict compliance with relevant laws and regulations as well as the requirements under the Rules of Procedure of General Meetings of the Company. The Company ensured that all shareholders, especially minority shareholders, are entitled to enjoy their entitled to legal interest based on their shareholding in the Company and to fully exercise their rights.

2. 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 shareholders pursuant to laws. The Company is not aware of any appropriation of the Company's capital and assets by controlling shareholders.

(III) DIRECTORS AND THE BOARD

1. Directors and the Board

The Board comprises nine Directors, including five independent non-executive Directors. The Board acts in the best interest 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 the consideration and approval of the Company's regular results announcements 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 and the Rules of Procedure for the Board of Directors. The Board of the Company has a number of entrepreneurs possessing extensive experiences in operation and management and some famous experts and scholars in financial affairs, taxation and finance and securities. 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. Save as in special circumstance, all Directors are punctual in Board meetings, at which they duly consider every resolution proposed at the Board meetings and give constructive advice thereof, bringing into full play Directors' decision-making role in corporate governance.

The Board of the Company has established four committees under it, 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 composition of the Board, biographical details of Directors and connections between them are detailed in the sections headed "Biographic Details of Directors, Supervisors and Senior Management" and "Report of Directors - Financial, Business or Family Relationship among Directors" in this annual report. Each Director is appointed for a term of three years. Upon expiry, the term is renewable upon re-election. Pursuant to the relevant requirement under the Articles of Association of the Company, the term of office for an independent non-executive Director is renewable subject to a limit of not more than six years. In 2011, the Company purchased liability insurance for the Directors, Supervisors and Senior Management of the Company to provide security for the compensation liabilities that may arise during the performance of their duties under the laws.

The Company convened the EGM on 26 April 2011 at which all members of the first session of the Board were re-elected as Directors of the second session of the Board, four of them, including Mr. Zhao Xiaogang, Mr. Zheng Changhong, Mr. Tang Kelin and Mr. Liu Hualong had been re-elected as executive Directors of the second session of the Board. Five of them, including Mr. Zhao Jibin, Mr. Yang Yuzhong, Mr. Chen Yongkuan, Mr. Dai Deming and Mr. Tsoi, David had been re-elected as independent non-executive Directors of the second session of the Board.

2. Independent non-executive Directors

The Board comprises five independent non-executive Directors, representing more than 50% 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.

During the reporting period, driven by the responsibility committed to all shareholders, all independent non-executive Directors put their expertise into full play, actively attended the Board meetings and meetings of Board committees and general meetings, at which they duly reviewed meeting materials and provide instructive opinions thereof. For any material matters resolved by the Board, all independent non-executive Directors conducted a thorough review on the status quo of the Company and relevant information in advance. For any matters pertaining to system establishment as well as operation, management and internal control implementation of the Company, every independent non-executive Director listened to the report of the Company in an earnest manner and took initiative to understand the situation before expressing his/her view, with an additional effort to safeguard the interest of the Company as a whole and paid particular attention to prevent the legal interest of minority shareholders from being prejudiced. Besides, independent non-executive Directors made inspections and investigations of a number of subsidiaries, duly performed their duties, and issued their independent opinion on significant events in accordance with the laws and regulations. They have played their role in improving the Board's scientific decision-making process and promoting sustainable and healthy development of the Company's businesses. By continuously improving the systems, the Company clearly defined the responsibilities and duties of the Board and the Board committees, standardized operation procedures and provided guarantee for the independent non-executive Directors' power to perform their functions. Relevant systems established by the Company in respect of independent non-executive Directors include Independent Directors' Manual, Annual Report Working Rules for Independent Directors, Communication Rules for Independent Directors and Management Methods for Investigations and Studies of Independent Directors.

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

3. Duty of the Board

The Board is the decision-making organisation of the Company. It reports to the shareholders' general meeting and exercises the following powers in accordance to the Articles of Association: (1) to convene shareholders' 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 accounting plan, 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 personnel and, to decide on their remuneration and award 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.

4. Board Meetings

During the reporting period, in accordance with the CG Code, the Board held Board meetings at least four times a year, and convened meetings for all members of the Board to attend (if necessary) to make major decisions.

In 2011, the Board held 15 meetings in total. The following table shows details of Director's attendance at the Board meetings during the reporting period.

Name of Director	Number of attendance*	Number of entrusted attendance**
Executive Director		
Mr. Zhao Xiaogang	15	0
Mr. Zheng Changhong	14	1
Mr. Tang Kelin	11	4
Mr. Liu Hualong	15	0
Independent Non-executive Director		
Mr. Zhao Jibin	15	0
Mr. Yang Yuzhong	14	1
Mr. Chen Yongkuan	15	0
Mr. Dai Deming	15	0
Mr. Tsoi, David	15	0

* During the reporting period, 11 Board meetings were held by way of on-site meetings, and 4 Board meetings was held by way of communication.

** Mr. Zheng Changhong, Mr. Tang Kelin and Mr. Yang Yuzhong were unable to attend certain Board meetings in person due to business engagement, and all of them had appointed other Directors (including independent non-executive Directors) to attend and vote at the meetings. In particular, Mr. Zheng Changhong was unable to attend the Board meeting held on 14 June 2011 and appointed Mr. Liu Hualong as his proxy to attend and vote on his behalf at the meeting. Mr. Tang Kelin was unable to attend the Board meetings held on 22 April 2011, 26 April 2011 and 27 April 2011, respectively, and appointed Mr. Liu Hualong as his proxy to attend and vote on his behalf at the meetings. Mr. Yang Yuzhong was unable to attend the Board meeting held on 16 September 2011, and appointed Mr. Dai Deming as his proxy to attend and vote on his behalf at the meeting.

5. Board Committees

The Board has established the Audit and Risk Management Committee, Remuneration and Evaluation Committee, Strategy Committee and Nomination Committee, and specified their respective terms of reference in accordance with laws, regulations and principles stipulated by the CG Code. Each committee reports its work to the Board. Performance of the Board Committees' duties 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 second session of the Strategy Committee was officially established on 26 April 2011, the members of which remain to be executive Directors including Mr. Zhao Xiaogang, Mr. Zheng Changhong, Mr. Tang Kelin and Mr. Liu Hualong and independent non-executive Directors including Mr. Yang Yuzhong and Mr. Zhao Jibin. Zhao Xiaogang serves as the chairman of the committee while Yang Yuzhong serves as the vice-chairman of the committee. The primary responsibilities of the Strategy Committee are to study, and make recommendations of, the long-term development strategies and investment decision-making procedure of the Company, and to supervise and investigate 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, independently and objectively performed its duties, and studied and made proposals for the Company's development strategies and material investment decisions. A total of 9 meetings were held, at which the proposal in connection with the adjustment to the usage proportion of proceeds raised from H Share offering, the proposal in connection with the issue of short-term bond of no more than RMB5,000,000,000 by the Company and the proposal in connection with the special report on deposit and actual use of the proceeds from the Company's A Shares issue in 2010 were considered and approved.

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

Name of Director	Number of attendance*/ Number of meeting	Attendance rate
Zhao Xiaogang	9/9	100%
Zheng Changhong	8/9	89%
Yang Yuzhong	8/9	89%
Zhao Jibin	9/9	100%
Tang Kelin	9/9	100%
Liu Hualong	9/9	100%

* Mr. Zheng Changhong was unable to attend the meeting held by the Strategy Committee on 14 June 2011 whereas Mr. Yang Yuzhong was unable to attend the meeting held by the Strategy Committee on 16 September 2011.

(2) NOMINATION COMMITTEE

The role, composition, terms of reference, decision-making procedures and rules of procedures of the Nomination Committee are clearly defined in the Working Rules for Nomination Committee of the Board of the Company, which specifies that the chairman of the Nomination Committee shall be elected from the members of the independent non-executive Directors. The second session of the Nomination Committee was officially established on 26 April 2011, the members of which remain to be the fine independent non-executive Directors including Zhao Jibin, Yang Yuzhong and Chen Yongkuan and executive Directors including Zhao Xiaogang and Liu Hualong. Zhao Jibin serves as the chairman of the Nomination Committee. The primary responsibilities of the Nomination Committee are to study the selection criteria and procedures of the Company's Directors and Senior Management, review the qualification and other credentials of Directors and Senior Management and submit proposal thereof to the Board. The terms of reference of the Nomination Committee comply with the relevant requirement under the Hong Kong Listing Rules and it shall be held accountable to the Board.

During the reporting period, the Nomination Committee of the Board strictly complied with requirements of Working Rules for Nomination Committee of the Board, independently and objectively performed its duties. A total of 2 meetings were held, at which the proposal in connection with the nomination of candidates for the president and vice president (including chief financial officer) of the Company, the proposal in connection with the nomination of candidate for the secretary to the second session of the Board of the Company and the proposal in connection with the nomination of candidates for the authorized representatives and joint company secretaries of the Company and other proposals were considered and approved.

During the reporting period, the Nomination Committee held 2 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	100%
Zhao Xiaogang	2	100%
Yang Yuzhong	2	100%
Chen Yongkuan	2	100%
Liu Hualong	2	100%

(3) REMUNERATION AND EVALUATION COMMITTEE

The role, composition, terms of reference, decision-making procedures and rules of procedures of the Remuneration and Evaluation Committee are clearly defined in the Working Rules for Remuneration and Evaluation Committee of the Board of the Company, which specifies that the chairman of the Remuneration and Evaluation Committee shall be elected from the members of the independent non-executive Directors. The second session of the Remuneration and Evaluation Committee was officially establish on 26 April 2011, the members of which remain to be the three independent non-executive Directors including Chen Yongkuan, Dai Deming and Tsoi, David, with Chen Yongkuan serving as the chairman of the committee. The primary responsibilities of the Remuneration and Evaluation Committee are to study and formulate the evaluation standards and conduct evaluation of the Directors and Senior Management and to determine and review the compensation policies and schemes for the Company's Directors and Senior Management. The terms of reference of the Remuneration and Evaluation Committee comply with the relevant requirement under the Listing Rules of the Hong Kong Stock Exchange and it shall be held accountable to the Board.

During the reporting period, the Remuneration and Evaluation Committee strictly complied with requirements of Working Rules for Remuneration and Evaluation Committee of the Board, independently and objectively performed its duties. A total of 3 meetings were held, at which the proposal in relation to the share option scheme of the Company (revised draft), the proposal in relation to the assessment methods for the performance of the participants under the share option scheme of the Company and proposal in relation to the remuneration and welfare of the Directors and supervisors of the Company for 2010 were considered and approved.

During the reporting period, the Remuneration and Evaluation Committee held 3 meetings in total. The attendance of each member of the committee is as follows:

Name of Director	Number of attendance/Number of meeting	Attendance rate
Chen Yongkuan	3	100%
Dai Deming	3	100%
Tsoi, David	3	100%

(4) AUDIT AND RISK MANAGEMENT COMMITTEE

The role, composition, terms of reference, decision-making procedures and rules of procedures of the Audit and Risk Management Committee are clearly defined in the Working Rules for Audit and Risk Management Committee of the Board of the Company, which specifies that all members of the Audit and Risk Management Committee shall be independent non-executive Directors. The second session of the Audit and Risk Management Committee was officially established on 26 April 2011, which was served by three independent non-executive Directors, Dai Deming, Yang Yuzhong and Tsoi, David as its committee members, 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 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 reviewing its internal control system. The terms of reference of the Audit and Risk Management Committee comply with the relevant requirements under the Hong Kong Listing Rules and it shall be held accountable to the Board.

During the reporting period, in strict compliance with the regulations of the Articles of Association of the Company, 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.

- Meetings held:

  During the reporting period, the Audit and Risk Management Committee held 13 meetings in total. It considered and approved proposals including, among others, the followings: Work Plan for the Company's Annual Audit in 2011, Credit Limit of the Company for 2011, the Annual Report of the Company for 2010, Relevant Matters on A Share Connected Transactions of the Company in 2011 and Relevant Matters on H Share Connected Transactions of the Company from 2010-2011.

- Supervision of external audit procedures and quality:

  (1) supervising the audit work of the auditors. The Audit and Risk Management Committee communicated with auditors for annual audit plan in respect of 2011 annual audit arrangement and timetable. Having been debriefed special reports from the auditors and financial officers of the Company respectively, the committee determined the audit work arrangement of the Company for 2011. After commencement of audit by the auditors with respect to the Company's annual audit, the representatives of the Audit and Risk Management Committee had urged the auditors 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 auditors.

  (2) 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.

- 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.

- 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.

- Reviewing the Company's implementation on internal control and risks management. The Audit and Risk Management Committee 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 risks 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 the Working Paper of Self-assessment of Internal Control, discussed and reviewed the Self-assessment Report on Internal Control submitted by the Company.

- 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 Shijiazhuang and CSR Luoyang so as to make recommendation in respect thereof.

- Performing its duties in relation to the 2011 annual report, and issued review opinions on 2011 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, and agreeing to submit the audited 2011 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 13 meetings in total. The attendance of each member of the committee is as follows:

Name of Director	**Number of attendance/Number of meeting**	**Attendance rate**
Dai Deming	13/13	100%
Yang Yuzhong	12/13	92%
Tsoi, David	13/13	100%

* Mr. Yang Yuzhong was unable to attend the meeting held by the Audit and Risk Management Committee on 16 September 2011.

(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. Zhao Xiaogang and Mr. Zheng Changhong respectively, so as to improve independence, accountability and responsibility. The chairman and the president are two distinctly different positions, with clean division of duties 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 that Board's 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 hands, 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 reports to the Board on the Company's overall operation. The Articles of Association set out in detail the respective duties of the chairman and the president.

(V) SUPERVISORS AND THE SUPERVISORY COMMITTEE

The Supervisory Committee is the supervision organisation of the Company. It reports to the shareholders' general meeting of the Company and is responsible for supervising the Company's financial condition and compliance of the duty performance of Directors and Senior Management members, so as to protect the interests of the Company and shareholders under the laws. The holding and convening procedures of the meetings of the Supervisory Committee were all in compliance with the requirements of the Rules of Procedures for the Meetings of the Supervisory Committee. 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 interest 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 Company's Directors and Senior Management.

(VI) ESTABLISHMENT AND IMPROVEMENT OF INTERNAL CONTROL SYSTEM

The Board has attached much importance to the establishment and improvement of the Company' internal control system, and strived to improve the internal control system of the Company. After reviewing the effectiveness of the internal control systems of the Company and its subsidiaries, the Board is of opinion that the Company has established a sound internal control system. During the reporting period, the Company constantly improved and reviewed its internal control practices based on its practical experience, shareholders' opinions, and domestic and international development trends and with reference to supervisory regulations of its places of listing and changes of internal and external risks.

1. Establishment of Internal Control System and the Overall Progress Thereof

The Company placed strong emphasis on the establishment of internal control and had consecutively put in place comprehensive internal control systems according to the requirements under the Company Law, the Securities Law and other laws and regulations. With a view to ensuring the effectiveness of corporate governance, the Company 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 Non-executive 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 also formulated Management Measures on Contracts and Agreements, Management Measures on Investment and various financial and audit regulations, and has compiled Employee Handbook, Compilation of Rules and Regulations, Risk Management Manual, Internal Control Manual, Internal Control Assessment Manual and Audit System Manual, with a view to standardizing its internal control practices. In compliance with Basic Standards for Enterprise Internal Control and the Complementary Guidelines jointly issued by the Ministry of Finance and other 4 Ministries, Internal Control Guidance for Listed Company by Shanghai Stock Exchange, CG Code by 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, which was strictly operated in compliance with such system.

The Company is not aware of any material or significant deficiency in internal control during the year.

2. Establishment of supervisory departments for internal control

The Company's supervisory departments for internal control consist of the internal audit department, the supervisory department and the legal affairs department. The Company's headquarter has established the audit and risk department, supervisory department and legal affairs department. The first-level subsidiaries of the Company have all established their own independent audit and supervisory departments, and employed legal management personnel.

3. The Board's arrangements on internal control activities

The Board is responsible for reviewing the internal control system and its operation. The Audit and Risk Management Committee of the Board debriefs and considers the report by the supervisory departments for internal control in respect of their supervisory work on risk management and internal control, and urges the Company to enhance its internal control and management capability. In the internal control assessment process, members of the Audit and Risk Management Committee of the Board communicated with the chief financial officer of the Company, head of the financial department and the persons responsible for the preparing of financial statements, and discussed with the accounting firms in relation to the audit matters of the annual report.

4. Information disclosure and transparency

In strict compliance with the Rules Governing the Listing of Securities on the Shanghai Stock Exchange, the Hong Kong Listing Rules, the Articles of Association and the Administrative Measures on Information Disclosure of the Company, the Company performed its information disclosure obligations by publishing information in a true, accurate, complete and timely manner through legitimate ways such as designated newspapers or websites in strict compliance with laws and regulations, ensuring that shareholders have access to information of the Company on equal basis.

(VII) EVALUATION AND MOTIVATION FOR THE SENIOR MANAGEMENT

The Company applies annual performance evaluation on members of the Senior Management. Remuneration of the Senior Management includes performance bonus which is calculated based on performance appraisals by the Company. During the reporting period, the adoption of the share option scheme was consecutively approved at the Board meeting and the general meeting of the Company. Share options have been granted to participants who are the Company's Directors, Senior Management, and core technical (management) personnel whom the Company considered necessary to be granted with such incentive. Details of the share option scheme of the Company are set out in the section headed "Significant Events - Implementation of the Company's Share Option Scheme and Its effects".

(VIII) ESTABLISHMENT OF ACCOUNTABILITY MECHANISM FOR MAJOR ERRORS IN ANNUAL REPORT DISCLOSURE

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 or loss to the Company as a result of the breach of duty of such persons or violation of relevant provisions by such person.

During the reporting period, the Company did not have significant errors in the disclosure of annual report of the Company.

(IX) DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors confirm that they have the responsibility for preparation of the financial statements for the Company for the year ended 31 December 2011, in order to truly and impartially report the financial conditions and business results of the Company and the Group, and undertake relevant responsibilities for preparation of the financial statements of the Group.

With the assistance of the accounting department, the Directors confirm that the financial statements of the Company were prepared in accordance with relevant laws, regulations and applicable accounting standards. The Directors also confirm 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" in the Auditors' Report of the annual report.

(X) CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY THE 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 be in possession of unpublished price sensitive data of the Company are also subject to the rules required under such document.

As at 31 December 2011, 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".

(XI) AUDITORS

The Company has appointed Ernst & Young and Ernst & Young Hua Ming 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 2011 annual financial report.

In 2011, the Company had paid Ernst & Young and Ernst & Young Hua Ming an aggregate fee of RMB12.50 million, which included advance payments, business trip costs and communication costs. Among which, the audit fees in respect of financial statement and internal control amounted to RMB10.50 million and RMB2 million, respectively. During 2011, the Company also paid them RMB2.45 million for agreed-upon procedures. Apart from the above, the Company has not engaged Ernst & Young or Ernst & Young Hua Ming for any major non-auditing service.

Certain subsidiaries of the Company engaged Ernst & Young Hua Ming as their auditors for their respective financial report of 2011 and paid a total of RMB4.05 million as auditors' remuneration.

Investor Relations

In 2011, the Company actively carried out investor relations activities and facilitated information exchange and communication with foreign and domestic investors to dispel their concerns, thus boosting their recognition of the Company's value.

In 2011, the Company took the initiatives to communicate with its investors and shareholders, building a favourable corporate image and being interactive with capital markets. In April, an annual report roadshow, led by the chairman of the Company, was held in Hong Kong. While holding results presentation and press conference, the Company also arranged a number of one-to-one and one-to-many meetings with the investors. In July, the Chairman and the President respectively led a delegation of the Company to meet and communicate with investors in Hong Kong, Singapore and major cities of China and arranged over 30 one-to-one meetings. In November, a delegation, led by the secretary to the Board of the Company, held the third quarterly results presentation in Hong Kong, and arranged nearly 20 one-to-one meetings with investors. Through in-depth communication with an array of investors, the Company successfully furthered investors' understanding of and confidence in its future development.

During the reporting period, the Company participated in 12 investor forums and strategy meetings organized by large investment institutions at home and aboard, arranged nearly 50 one-to-one and one-to-many meetings and gave keynote speeches at two conferences. Through the communication platforms of those forums and strategy meetings, the Company organised four investor groups (about 150 investors) to visit its two subsidiaries. Meanwhile, the Company reached out to investors through various means at multi-spectrums such as reception at the headquarters, e-mail, telephone and inspections and researches at subsidiaries. In 2011, a total of 360 institutions at home and abroad raised their intention of inspection and research to the Company and over 100 investor groups visited the headquarters of the Company; Besides, the Company held over 50 telephone conferences, arranged nearly 30 investor groups to visit its subsidiaries and met with a number of investors, analysts and fund managers (around 1,500 person-time).

During the reporting period, the Company proactively enhanced its communication with investors. Firstly, upon the occurrence of any significant information related to the industry and the release of important announcements of the Company, the Company, by virtue of its investor database, took the initiative to contact those investors who gave ongoing attention to the CSR and explained its business guidelines and development plans to them by emails, telephone calls and meetings, thereby dispelling their concerns over the development of the Company and enhancing their confidence in the Company. Secondly, the Company attached attention to individual investors and helped them to gain an accurate understanding of the Company's disclosed information by answering investors' calls and emails in a timely manner. The Company has designated personnel responsible for investor hotline so as to answer calls from investors, give specific responses to questions raised by investors, serve investors actively and safeguard their legal rights and interests.

During the reporting period, the Company gave full respect to and safeguarded the legal rights and interests of people concerned and managed to strike a balance among the interests of its shareholders, employees, communities and customers, promoting the sustaining and healthy development of the Company. The Company enhanced communication with those who have interest in the Company and raised its reputation among investors through various means, such as results presentations, regular report roadshows, analyst conferences, websites, investor hotline, visitor receptions and mailbox of the secretary to the Board.

During the reporting period, the Company made great efforts in establishing and improving investor relations systems. The Management Rules for Investors Relations, Management Rules for Information Disclosure and Management Rules for News Release were further perfected and the Administrative Measures on Holders of Insider Information was improved.

In 2012, the Company will continue to improve its investor relations services, further deepen its communication with investors so as to boost investors' understanding of the Company and gain support and concern from a wider range of investors.

Awards won by the Company in 2011 are as follows:

Time of Awards	Awards	Awarder
January 2011	National Award for Science and Technology Progress-Second-class Prize	the State Council
January 2011	Most Responsible Enterprise in China in 2010 (2010年最具責任感企業)	Jointly sponsored by China News Week and Chinese Red Cross Foundation
January 2011	Most Influential Enterprise in 2010 (2010年度最具影響力企業)	Sponsored by the Selection Committee of Top Ten News of Chinese Enterprises (中國企業十大新聞評選委員會)
February 2011	Excellent Team Award for Performance in Implementing the National Sci-tech Program under the "11th Five Year Plan" (「十一五」國家科技計劃執行優秀團隊獎)	the Ministry of Science and Technology
April 2011	Top 50 Chinese Rail Transport Enterprises for Independent Innovation 2010 (2010中國軌道交通創新力企業TOP50)	RT Rail Transport magazine of HNZ (鴻與智《RT軌道交通》雜誌) and China Enterprise Evaluation Association
May 2011	Golden Round table Awards - Excellent Board of Directors Award (金圓桌獎—優秀董事會獎)	Board of Directors magazine
May 2011	Outstanding Enterprises for Energy Conservation and Emission Reduction during the "11th Five Year Plan" Period	SASAC
June 2011	Carbon-value Innovative Value Award	Jointly sponsored by United Nations Industrial Development Organization (UNIDO) and International Energy Conservation Environmental Protection Association (IEEPA)
June 2011	China's 500 Most Valuable Brands-Ranking second in the Machinery Industry (中國500最具價值品牌機械行業第二位)	Sponsored by World Brand Lab (WBL)
July 2011	74th place on the composite ranking of 2010 Annual Report "Vision Award", Platinum Award of the Transportation and Logistics Industries (2010年年度報告「遠見獎」綜合排名中位列第74位，交通運輸物流行業白金獎)	League of American Communications Professionals (LACP)
July 2011	Ranking first among the Fortune 500 in China's Machinery Industry 2011 (2011《財富》中國500強機械行業第一名)	Fortune magazine
August 2011	Ranking among top 10 in Internal Control Index for Chinese Listed Companies (「中國上市公司內部控制指數」排名前十強)	DIB, a selection institution for the Internal Control Index of Chinese Listed Companies (迪博·中國上市公司內部控制指數評選機構)
August 2011	Third Prize of the 2010 National Energy Science and Technology Advancement Awards (2010年度國家能源科學技術進步獎三等獎)	National Development and Reform Commission
September 2011	Ranking 120th among China's Top 500 Enterprises	China Enterprise Confederation and China Entrepreneur Association
November 2011	China Red Star Design Awards-Prime Gold Award (中國創新設計紅星獎至尊金獎)	China Industrial Design Association and Beijing Industrial Design Center
November 2011	Best New Entry Annual Report Award	Sponsored by Hong Kong Management Association (HKMA)
November 2011	Most Popular Listed Companies among Investors of Hong Kong and Mainland China (最受兩地投資者歡迎的上市公司)	Jointly sponsored by Takung Pao, The Hong Kong Chinese Enterprises Association, Hong Kong Securities Association, Securities Association of China and China Enterprise Confederation
December 2011	Top 10 Innovative Enterprises of China	Economic Daily, CAS Institute of Geographical Sciences and Natural Resources and School of Economics and Management of Tsinghua University
December 2011	The Hong Kong Corporate Governance Excellence Awards 2011	The Chamber of Hong Kong Listed Companies

Fulfilling Social Responsibilities

In 2011, CSR continued to uphold the philosophy of "integrity for win-win" with greater attachment to the commitment and accomplishment of social responsibilities. While pursuing the sustainable economic development and safeguarding its shareholders' interests, it strove to offer the most valuable green products to customers, enhance resources conservation and environmental protection, maintain the legitimate rights and interests of its employees and play an active role in social welfare undertakings. The Company won the "Most Responsible Enterprise in China in 2011" and formally joined the Global Compact Organization, striving to become an outstanding corporate citizen in the world.

CONTRIBUTING TO THE SOCIETY TO FULFILL CORPORATE RESPONSIBILITIES

The Company constantly refined corporate governance structure and enhanced internal control and risk management with increasingly scientific corporate governance. The general meeting, the Board, the Supervisory Committee and the management have performed their respective duties separately. Meanwhile, the rules of procedures governing the general meetings, Board meetings and the meetings of the Supervisory Committee have been strictly followed to ensure the making of major decisions scientifically, the open information disclosure and the effective risk control, thus effectively safeguarding shareholders' interests and creditors' legitimate rights. The Company has been granted a number of awards in tandem, including Excellent Board of Directors (優秀董事會獎) in the 7th Gold Round Table Awards for the Boards of Directors of Chinese Listed Companies (第七屆中國上市公司董事會 金圓桌獎) and the "Corporate Governance Excellence Awards", the most honorable award granted to listed companies of H shares in Hong Kong, by The Chamber of Hong Kong Listed Companies. Included in SSE 50 Index, SSEF 200 Index and SSEF 500 Index, the Company ranked top ten among "Dibo · Internal Control Index of Listed Companies in China" with overall ranking of seven while topping the list under the machinery, equipment and meter category.

With its brand awareness and reputation, CSR demonstrated a sustainable transportation model to the community, created rewarding values for shareholders, provided users with high value-added products and services, and built career path for employees. The Company has been honored with the titles of 2010 Golden Bull Top 100 Listed Companies in China, 2011 Forbes Global Top 2000 Listed Companies, 2011 Top 500 Asian Brands, 2011 Top 100 Brands in China, 2011 Top 500 Enterprises in China and 2011 Top 500 Manufacturing Enterprises in China. Furthermore, it ranked among "500 Most Valuable Corporate Brands in China" released by the World Brand Laboratory in 2011, with brand value of RMB17.126 billion. Its brand influence was assessed as "world-class". CSR ranked second among different machinery brands, being the only rolling stock manufacturer that was selected. Revenue generated by the Company was the highest in the global rolling stock manufacturing industry.

RELENTLESS EFFORTS IN THE R&D OF GREEN PRODUCTS

Being committed to vitalize China's high-end equipment manufacturing and lead the development trend of global rail transit industry, the Company endeavours to provide energy-efficient and environment-friendly transport vehicles and equipment products. The Company won the title of "2011 Top Ten Innovative Enterprises" in the "2011 China's Proprietary Innovation Annual Seminar", being the only rolling stock company that received the award. As "an innovative enterprise with enhanced proprietary capability", the Company was nominated for the "2011 Outstanding Corporate Social Responsibility Practice Award in China".

CSR fully ensures the quality of operation of the Beijing-Shanghai high-speed railway and established a standardized after-sales service system, with punctuality of nearly 100% and failure rate per one million km of approximately 0.5 times, the reliability of which reached world advanced level and was well-received by users. New rapid transit vehicles with green and energy-saving features manufactured by the Company has covered more than 40 lines across 17 cities in China to alleviate the pressure on urban traffic, save energy, reduce consumption and meet the diverse needs of users in different cities and regions, so as to offer convenience, time-saving and comfort for daily travel. Built on its proprietary technology of rolling stock, CSR increased the R&D on high-end equipment manufacturing, new energy, new energy-driven vehicles and new materials with a focus on developing the strategic emerging industries advocated by the State, rapidly undergoing massive production and industrialization. Meanwhile, CSR strives to develop a business model that combines manufacturing and services, and spares no effort in serving its customers over the entire lifecycle of products, by exploring new ways of reducing the costs of products over their entire lifecycle and extending its industry chain to repairs and maintenance, thus transforming itself from pure manufacturing to manufacturing plus servicing.

The Company ranked among the 2010 TOP 50 China Rolling Stock Innovative Enterprises. CRH380A high-speed MUs won the 2010 Top Ten Innovative Product Award in the Rolling Stock Industry and the Supreme Gold Award of 2011 China Red Star Innovative Design Award.

UPHOLDING THE PEOPLE-ORIENTED PRINCIPLE TO SHARE FRUITFUL RESULTS

The Company sticks to the people-oriented concept. In compliance with all applicable environmental, health and safety standards, CSR attaches great importance to safeguard the legitimate rights and interests of employees. The Company proactively builds platform for employees to achieve their personal values, creates favourable working environment and fosters career growth space for employees, thus allowing every employee to share success with CSR.

CSR increased investment in safety management with annual labour protection fee of RMB153.00 million, safety promotional and education fee and training fee of RB14.224 million. The Company keeps a close eye on occupational health and has enhanced labour protection and supervision over occupational hazard, so as to create safe, healthy and sanitary working conditions and environment for employees. All employees of the Company are covered by insurance for industrial injury and premiums payables according to laws amounted to RMB26.70 million. The Company also attaches importance to staff training and career planning, and constantly improves their occupational quality and skills through optimizing and perfecting training system. CSR held the first session of core talent selection to assess 345 key technical personnel, 69 key management personnel and 215 key skilled personnel. Keeping a watchful eye on the work and life of disadvantaged people, distressed employees, front-line production employees and models workers, the Company paid visits to 18,562 distressed employees and allocated relief fund in an aggregate amount of RMB19.43 million.

UNREMITTING DEDICATION TO CHARITY

CSR is committed to conducting R&D on and manufacturing of energy-saving green products to cater for the needs of social and economic development and modern life, while taking the initiative to fulfill the obligations and responsibilities as a corporate citizen, with an aim to making long-term contributions to the local economy, communities and environment.

In the context of advocating low-carbon economy, energy saving and environmental protection around the world, the Company aspired to commit itself into a resource-efficient enterprise, and to promote clean production and develop cyclic economy. It was honoured with the title of Excellent Energy Saving Enterprise under the "Eleventh Five-Year Plan" by the SASAC, and won the "Carbon Gold Prize- Innovation" during the "International Carbon Gold Prize" evaluation of the fourth World Environmental Conference. The Company continued to participate in social welfare activities, allocating RMB4.00 million as poverty alleviation fund to help construct infrastructures in two counties. Meanwhile, By insisting on the principle of "education goes before poverty relief", the Company changed its mode of poverty relief from the original "blood transmission" to "blood generation" by helping students in poverty through technical training with a view to improving human resource quality of such regions. The Company's subsidiaries also actively took part in the local public welfare activities, and approximately RMB2.00 million was donated for such purpose. It also participated in charities such as education system support and poverty relief of places where the Company operated its business, and received the title of "Advanced Group for National Poverty Alleviation".

Regarding social responsibilities as an important part of its business development strategy and operation management, CSR will consistently improve its social responsibility system and communication system in the course of operation and management, comply with laws and regulations, preserve commercial credit, open to public supervision and realize all-round, coordinated and sustainable development of the Company and the society.

Changes in Share Capital and Particulars of Shareholders

(I) CHANGES IN SHARE CAPITAL

1. Changes in shares and share capital structure

Changes in the shares and share capital of the Company during the reporting period are as follows:

Unit: share

	Before change		After increase / decrease (+/-)					After change	
	Quantity	Percentage (%)	Issue of new shares	Bonus issue	Capitalization of reserves	Others	Sub-total	Quantity	Percentage (%)
I. Shares subject to trading moratorium									
1. State-owned and state-owned legal person shares	6,816,000,000	57.57				-6,516,000,000	-6,516,000,000	300,000,000	2.53
2. Others									
Total shares subject to trading moratorium	6,816,000,000	57.57				-6,516,000,000	-6,516,000,000	300,000,000	2.53
II. Shares not subject to trading moratorium									
1. Ordinary shares denominated in RMB	3,000,000,000	25.34				6,516,000,000	6,516,000,000	9,516,000,000	80.38
2. Overseas listed foreign shares	2,024,000,000	17.09						2,024,000,000	17.09
Total shares not subject to trading moratorium	5,024,000,000	42.43				6,516,000,000	6,516,000,000	11,540,000,000	97.47
III. Total number of shares	11,840,000,000	100.00						11,840,000,000	100

Notes:

(1) The 6,422,914,285 and 93,085,715 shares of the Company held by CSRG and CSR Capital Company respectively were released from trading moratorium on 18 August 2011, details of which were set out in the Company's announcement published in the China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and on the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 11 August 2011.

(2) Upon the change, the remaining 300,000,000 shares of the Company subject to trading moratorium were held by 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).

2. Changes in shares subject to trading moratorium

Changes in the Company's shares subject to trading moratorium during the reporting period are as follows:

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
CSRG	6,422,914,285	6,422,914,285	—	—	Undertaking made at the time of initial public offering of A shares	18 August 2011
CSR Capital Company	93,085,715	93,085,715	—	—	Undertaking made at the time of initial public offering of A shares	18 August 2011

(II) ISSUE AND LISTING OF SECURITIES

1. Issue of securities during last three years

The 8th meeting of the 2nd session of Board was held on 16 September 2011, at which proposals including, among others, the Proposal in Relation to the Plan of Non-public Issue of A Shares of the Company was considered and approved. The aforesaid non-public issue was considered and approved by Shareholders at the 2011 second extraordinary general meeting of the Company and approved by the SASAC.

On 11 January 2012, the above-mentioned non-public issue of the Company was approved by the Public Offering Review Committee of CSRC.

On 23 February 2012, the Company received from CSRC the Reply Letter in Relation to the Approval on the Non-public Issue of Shares by CSR Corporation Limited (Zheng Jian Xu Ke [2012] No.210), which granted the approval on the non-public issue of not more than 1,963 million A shares by the Company to not more than ten target subscribers. On 15 March 2012, the Company completed 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). Details of the non-public issue were set out in the relevant announcement of the Company dated 17 March 2012 and published in the China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and on the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange.

2. Changes in total shares and share capital structure

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

3. Existing internal employee shares

The Company had no internal employee shares as at the end of the reporting period.

(III) PARTICULARS OF SHAREHOLDERS AND ULTIMATE CONTROLLER

1. The number of shareholders and their shareholdings

(1) Total number of shareholders

As at the end of 2011, the Company had 328,863 shareholders in total, including 326,158 holders of A Shares and 2,705 registered holders of H Shares.

As at 29 February 2012, the Company had 312,969 shareholders in total, including 310,284 holders of A Shares and 2,685 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	54.27	6,425,714,285	0		Nil
HKSCC Nominees Limited	Overseas legal person	17.04	2,017,278,839	-788,001		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	2.53	300,000,000	4,285,714	300,000,000	Unknown
Agricultural Bank of China - China Post Core Growth Stock Investment Fund (中國農業銀行—中郵核心成長股票型證券投資基金)	Other	1.60	189,950,000	189,950,000		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	0.89	105,030,845	40,659,743		Unknown
CSR Capital Company	State-owned legal person	0.79	93,085,715	-4,285,714		Nil
Industrial and Commercial Bank of China — South Longyuan Industrial Subject Stock Investment Fund (中國工商銀行—南方隆元產業主題股票型證券投資基金)	Other	0.76	90,000,000	27,500,000		Unknown
Agricultural Bank of China - China Post Core Selective Stock Investment Fund (中國農業銀行—中郵核心優選股票型證券投資基金)	Other	0.70	82,982,893	82,982,893		Unknown
Industrial and Commercial Bank of China — SSE 50 Trading Index Stock Investment Open-ended Fund (中國工商銀行—上證50交易型開放式指數證券投資基金)	Other	0.35	41,667,654	31,667,654		Unknown
China Construction Bank - Changsheng Tongqing Detachable Stock Investment Fund (中國建設銀行股份有限公司 — 長盛同慶可分離交易股票型證券投資基金)	Other	0.31	36,422,826	-13,577,136		Unknown

Notes:

(1) H Shares held by HKSCC Nominees Limited were shares held on behalf of various customers.

(2) On 11 July 2011, the frozen 4,285,714 shares held by CSR Capital Company were transferred to the 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).

(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 of shares
CSRG	6,425,714,285	Ordinary shares denominated in RMB
HKSCC Nominees Limited	2,017,278,839	Overseas listed foreign shares
Agricultural Bank of China — China Post Core Growth Stock Investment Fund (中國農業銀行 — 中郵核心成長股票型證券投資基金)	189,950,000	Ordinary shares denominated in RMB
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)	105,030,845	Ordinary shares denominated in RMB
CSR Capital Company	93,085,715	Ordinary shares denominated in RMB
Industrial and Commercial Bank of China — South Longyuan Industrial Subject Stock Investment Fund (中國工商銀行 — 南方隆元產業主題股票型證券投資基金)	90,000,000	Ordinary shares denominated in RMB
Agricultural Bank of China — China Post Core Selective Stock Investment Fund (中國農業銀行 — 中郵核心優選股票型證券投資基金)	82,982,893	Ordinary shares denominated in RMB
Industrial and Commercial Bank of China — SSE 50 Trading Index Stock Investment Open-ended Fund (中國工商銀行 — 上證50交易型開放式指數證券投資基金)	41,667,654	Ordinary shares denominated in RMB
China Construction Bank — Changsheng Tongqing Detachable Stock Investment Fund (中國建設銀行股份有限公司 — 長盛同慶可分離交易股票型證券投資基金)	36,422,826	Ordinary shares denominated in RMB
New China Life Insurance Company Limited — Dividend — Group Dividend — 018L — FH001Shanghai (新華人壽保險股份有限公司—分紅—團體分紅 —018L—FH001滬)	32,999,812	Ordinary shares denominated in RMB

(4) Connections or parties acting in concert among the top ten shareholders and the top ten holders of shares not subject to trading moratorium

CSR Capital Company is a wholly-owned of CSRG. Agricultural Bank of China - China Post Core Growth Stock Investment Fund and Agricultural Bank of China - China Post Core Selective Stock Investment Fund are both managed by China Post & Capital Fund Management Co., Ltd.. Save for the above, the Company is not aware of any connections among the other shareholders above.

(5) Shareholdings of the top 10 holders of shares subject to trading moratorium and the terms of the trading moratorium

No.	Name of holders of shares subject to trading moratorium	Number of shares subject to trading moratorium held	Release of trading moratorium: Expiry date of trading moratorium	Release of trading moratorium: No. of additional shares available for listing and trading	Terms of the trading moratorium
1	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

2. Shareholding Interests of Directors, Supervisors and Chief Executives

(1) As at 31 December 2011, 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
Zhao Xiaogang	Chairman	12 August 2011	A Shares	80,000
Zheng Changhong	Vice Chairman, President	12 August 2011	A Shares	60,000
Tang Kelin	Executive Director, Vice President	12 August 2011	A Shares	50,000
Liu Hualong	Executive Director	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. The effect and the exercise of the relevant share options are subject to the fulfilment of all effective conditions under the share option scheme. Details of the A share options granted to Directors are set out in the section headed Directors, Supervisors and Senior Management — Share Incentive Scheme Granted to Directors and Senior Management During the Reporting Period.

Save as disclosed above, as at 31 December 2011, none of the Directors, Supervisors or chief executives of the Company had interests and 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.

3. Substantial Shareholders' Interests and Short Positions in the Company

As at 31 December 2011, 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	8,388,714,285	85.46	70.85
	Interest of controlled corporation[1]	A Shares	Long position	93,085,715	0.9	0.79
Karr Robert A.	Interest of controlled corporation	H Shares	Long position	341,408,794	16.87	2.88
Joho Capital, LLC	Investment Manager	H Shares	Long position	201,090,218	9.94	1.70
Joho Fund, Ltd.	Beneficial owner	H Shares	Long position	200,984,406	9.93	1.70
National Council for Social Security Fund	Beneficial owner	H Shares	Long position	181,210,000	8.95	1.53
Deutsche Bank Aktiengesellschaft	Beneficial owner/Investment Manager/ Holder of security interest in shares	H Shares	Long position	156,650,239	7.74	1.32
	Beneficial owner/Holder of security interest in shares	H Shares	Short position	121,528,000	6.00	1.03
Joho Partners L.P.	Beneficial owner	H Shares	Long position	120,623,379	5.96	1.02
JPMorgan Chase & Co.	Beneficial owner/Investment Manager/ Custodian — corporation/ Approved lending agent	H Shares	Long position	116,420,911	5.75	0.98
	Beneficial owner	H Shares	Short position	40,469,114	1.99	0.34
	Custodian — corporation/ Approved lending agent	H Shares	Lending pool	48,191,797	2.38	0.41
Morgan Stanley	Interest of controlled corporation	H Shares	Long position	113,397,397	5.60	0.96
	Interest of controlled corporation	H Shares	Short position	113,047,700	5.59	0.95
Callander Alex, Morrison Elaine, Plowden Charles, Tait Anthony, Telfer Andrew, and Warden Alison [2]	Interest of controlled corporation	H Shares	Long position	101,793,000	5.03	0.86

Notes:

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

(2) Callander Alex, Morrison Elaine, Plowden Charles, Tait Anthony, Telfer Andrew and Warden Alison collectively hold, directly and indirectly, an aggregate of 101,793,000 H shares of the Company through their jointly controlled corporations.

(3) 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 2011, 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.

4. PARTICULARS OF CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER

(1) Controlling shareholder

Unit: RMB0'000

Name	CSRG
Legal representative	Zhao Xiaogang
Establishment date	2 July 2002
Registered capital	926,182.2
Principal operations or management activities	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.

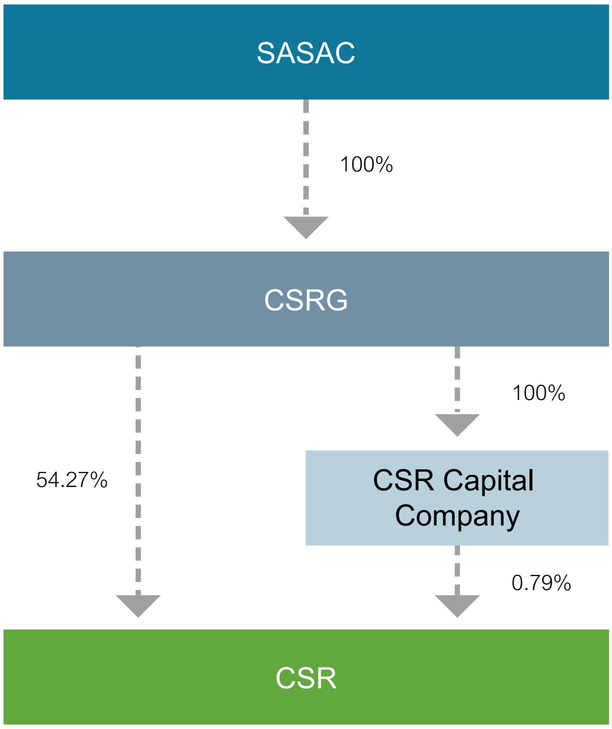
(2) Ultimate controller

Name of ultimate controller: SASAC

(3) Changes in the controlling shareholder and the ultimate controller

There was no change in the controlling shareholder and the ultimate controller of the Company during the reporting period.

(4) Framework of ownership and controlling relationship between the Company and the ultimate controller as at 31 December 2011



(5) Other corporate shareholders with over 10% shareholdings

Save for HKSCC NOMINEES LIMITED, there were no other corporate shareholders holding over 10% shares of the Company as at the end of the reporting period.

(IV) SUFFICIENT PUBLIC FLOAT

As at the last 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.

(V) PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

Report of Supervisory Committee

During the reporting period, all members of the first and second session of the supervisory committee of the Company ("Supervisory Committee") have exercised supervision on the Company's operation, financial position and the performance of duties by the Board and the senior management in 2011 with a view to protect the corporate interests and shareholders' interests in accordance with relevant requirements of the Company Law, the Articles of Association and the Rules of Procedures for the Meetings of the Supervisory Committee. All members of the Supervisory Committee fully completed the work of the Supervisory Committee in 2011 diligently.

(I) RE-ELECTION OF THE SUPERVISORY COMMITTEE

Mr. Wang Yan and Mr. Sun Ke were elected at the 2011 first extraordinary general meeting of the Company as shareholder representative Supervisors of the second session of the Supervisory Committee and formed the second session of the Supervisory Committee of the Company with Mr. Qiu Wei, the employee representative Supervisor of the second session of the Supervisory Committee elected at the employee congress of the Company.

(II) OPERATION OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the reporting period, the Supervisory Committee performed supervision and inspection on the Company's financial systems and financial position and the implementation of the Administrative Measures on Holders of Insider Information, carried out field inspection on the internal controls of certain subsidiaries and reviewed the Company's 2010 annual report, and 2011 first quarterly report, interim report and third quarterly report in accordance with the requirement of the Articles of Association and the Rules of Procedures for the Meetings of the Supervisory Committee and by reference to the actual circumstances.

1. Attendance of the meetings of the Supervisory Committee during 2011

During the reporting period, the Supervisory Committee convened nine meetings in total, of which three and six meetings were held by the first session and second session of the Supervisory Committee respectively. All nine meetings were held in compliance with the Company Law and the Articles of Association. Major contents of the meetings are as follows:

Name of meeting	Time	Agenda
The 16th meeting of the first session of the Supervisory Committee	7 March 2011	1. The proposal in relation to the share option scheme (revised draft) of the Company
The 17th meeting of the first session of the Supervisory Committee	28 March 2011	1. The proposal in relation to the Working Report of the First Session of the Supervisory Committee and the 2010 Working Report of the Supervisory Committee of the Company 2. The proposal in relation to the 2010 Annual Report of the Company 3. The proposal in relation to the 2010 Final Accounts of the Company 4. The proposal in relation to the 2010 Profit Distribution Plan of the Company 5. The proposal in relation to the A-share Connected Transactions of the Company in 2011 6. The proposal in relation to the H-share Connected Transactions of the Company from 2010 to 2011 7. The proposal in relation to the Self-assessment Report of the Board on Internal Control of the Company 8. The proposal in relation to the Audit Report on the Use of Proceeds of the Company in 2010 9. The proposal in relation to 2010 Social Responsibility Report of the Company 10. The proposal in relation to the Specific Report on Deposit and Actual Use of Proceeds Raised from A Share Offering of the Company in 2010 11. The proposal in relation to the Report on Evaluation of Performance of Duties by Directors, Supervisors and Senior Management of the Company
The 18th meeting of the first session of the Supervisory Committee	22 April 2011	1. The proposal in relation to the 2011 First Quarterly Report of the Company
The 1st meeting of the second session of the Supervisory Committee	26 April 2011	1. The proposal in relation to the election of the chairman of the second session of the Supervisory Committee
The 2nd meeting of the second session of the Supervisory Committee	26 April 2011	1. The proposal in relation to the adjustment to the participants of the Share Option Scheme of the Company 2. The proposal in relation to the determination of the grant date of options under the Share Option Scheme of the Company
The 3rd meeting of the second session of the Supervisory Committee	14 June 2011	1. The proposal in relation to compliance with the conditions for the non-public issue of A shares by the Company 2. The proposal in relation to the non-public issue of A Shares of the Company 3. The proposal in relation to the plan of non-public issue of A Shares of the Company 4. The proposal in relation to the connected transactions under the non-public issue and the conditional agreement for subscription of shares entered into between the Company and CSR Group 5. The proposal in relation to the connected transactions under the non-public issue and the conditional agreement for subscription of shares entered into between the Company and the National Council for Social Security Fund

Name of meeting	Time	Agenda
		6. The proposal in relation to the feasibility report on the use of proceeds from the non-public issue of A shares by the Company
		7. The proposal in relation to Report on Previous Proceeds of the Company
The 4th meeting of the second session of the Supervisory Committee	4 August 2011	1. The proposal in relation to the 2011 Interim Report of the Company
		2. The proposal in relation to the Specific Report on Deposit and Actual Use of Proceeds Raised from A Share Offering of the Company in the First Half of Year 2011
		3. The proposal in relation to the appointment of an accounting firm as internal control auditors for 2011 and the bases for determination of its remuneration by the Company.
		4. The proposal in relation to formulation of the Rules of Management of Capital Transactions with Related Parties
		5. The proposal in relation to provision of guarantee to CSR Hong Kong
The 5th meeting of the second session of the Supervisory Committee	16 September 2011	1. The proposal in relation to termination of implementation of the original plan of non-public issue of A shares
		2. The proposal in relation to compliance with the conditions for the non-public issue of A shares by the Company
		3. The proposal in relation to the plan of non-public issue of A Shares of the Company
		4. The proposal in relation to the proposed non-public issue of A Shares of the Company
		5. The proposal in relation to the connected transactions under the non-public issue and the conditional agreement for subscription of shares entered into between the Company and CSRG
		6. The proposal in relation to proposing the general meeting of the Company to approve the granting of a waiver to CSRG from its obligation to make a general offer
		7. The proposal in relation to the feasibility report on the use of proceeds from the non-public issue of A shares by the Company.
		8. The proposal in relation to Report on Previous Proceeds of the Company
The 6th meeting of the second session of the Supervisory Committee	28 October 2011	1. The proposal in relation to the 2011 Third Quarterly Report of the Company

2. Attendance of Relevant Meetings of the Company for 2011

During the reporting period, the members of the Supervisory Committee attended five general meetings and eleven Board meetings (as non-voting participants) of the Company, and have supervised the legal compliance, voting procedures and Directors' attendance with respect to the general meeting and Board meetings.

(III) OPINIONS OF THE SUPERVISORY COMMITTEE ON THE RELEVANT MATTERS OF THE COMPANY IN 2011

Through attending the general meeting and Board meeting, and carrying out special independent inspections, the Supervisors exercised its supervision function on the duty performance of Directors and Senior Management of the Company.

1. Independent opinions on the lawful operation of the Company

In accordance with the laws and regulations of the places in which the Shares of the Company are listed, the Supervisory Committee has duly overseen and examined, among other things, the convening procedures and resolutions of Board meetings, implementation by the Board of the resolutions passed at general meetings, performance by Senior Management of their duties and the establishment and consistent implementation of the sound internal control system of the Company.

The Supervisory Committee is of the view that the Board and Senior Management of the Company have acted in strict compliance with the Company Law and the Articles of Association and other relevant regulations and rules of the places in which the Shares of the Company are listed, performed their duties with integrity and diligence and implemented the resolutions of, and exercised the powers granted by, the general meetings. The operations and decisions made were in compliance with the laws and regulations and the Articles of Association. In examining the financial position of the Company and overseeing the performance by the Directors and Senior Management of their duties, the Supervisory Committee is not aware of any act detrimental to the interests of the Company and the Shareholders or in breach of laws and regulations, the Articles of Association and the rules and regulations of the Company.

2. Independent opinions on inspection of the Company's financial position

During the reporting period, the Supervisory Committee supervised and inspected the financial systems and financial position of the Company, and carefully considered and issued the written inspection opinion on the 2010 Annual Report, the 2010 Profit Distribution Proposal, the 2011 First Quarterly Report, the 2011 Interim Report and the 2011 Third Quarterly Report of the Company.

The Supervisory Committee is of the view that the financial systems and rules of the Company are sound and complete. The financial reports of the Company gave a truthful, fair and complete view of the Company's financial position and operating results. Ernst & Young Hua Ming and Ernst & Young have audited and issued standard unqualified audit report on the annual financial report.

3. Independent opinions on actual use of the latest raised proceeds by the Company

During the reporting period, the Company has utilized the proceeds in accordance with its commitments in the Prospectus.

The Supervisory Committee is of the view that the utilisation of proceeds was in compliance with the relevant laws and regulations in the PRC and the Articles of Association, without any actions detrimental to the interests of the Company and the Shareholders. The Supervisory Committee of the Company will continue to supervise and inspect the progress of relevant projects

4. Independent opinions on asset acquisitions and disposals by the Company

During the reporting period, no insider dealing or any act detrimental to the interests of the Shareholders that may cause any loss to the Company's assets was discovered in the Company's acquisitions or disposals of assets.

5. Independent opinions on connected transactions of the Company

Having supervised the consideration, voting on, disclosure and implementation of the connected transactions of the Company, the Supervisory Committee is of the view that the consideration, voting on, disclosure and implementation of the connected transactions of the Company during 2011 are in compliance with relevant laws and regulations and the Articles of Association and that the connected transactions were carried out on a fair and just basis. No act in prejudice to the interests of the Company and the Shareholders was discovered.

6. Independent opinions on the assessment of internal control of the Company

The Supervisory Committee has reviewed the self-assessment report on internal control of the Company and raised no objection to it.

Chairman of the Supervisory Committee
Wang Yan

March 2012

Significant Events

(I) MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation or arbitration during the year.

(II) MATTERS RELATED TO BANKRUPTCY AND REORGANISATION

The Company was not involved in any events relating to bankruptcy or reorganisation during the year.

(III) EQUITY INTERESTS IN OTHER LISTED COMPANIES AND FINANCIAL INSTITUTIONS HELD BY THE COMPANY

1. Securities investment

Currency: HKD

Stock Variety	Stock Code	Stock Short Name	Initial Investment Amount	Number of Shares held *(share)*	Carrying Amount at the End of the Reporting Period	Percentage in Securities Investment held by the Company *(%)*	Gain or Loss Occurred in the Reporting Period
Shares listed on the Hong Kong Stock Exchange	01618.HK	MCC	38,484,429	6,000,000	10,560,000	100	-10,020,000

2. Equity interests in other listed companies held by the Company

Unit: RMB/HKD

Stock Code	Stock Short Name	Initial Investment Amount	Percentage in the Share Capital of the Company Invested *(%)*	Carrying Amount at the End of the Reporting Period	Gain or Loss Occurred in the Reporting Period	Changes in Owner's Equity in the Reporting Period	Accounting Items	Source of Equity Interest
601328	Bank of Communications	RMB752,324.10	—	RMB2,096,411.52	—	RMB-467,949.00	Available-for-sale investments	Purchase
00958.HK	Huaneng Renewables	HKD392,774,658.4	1.18	HKD298,640,640	—	HKD-94,134,018.4	Available-for-sale investments	Purchase

Note: the equity interest held by the Company represents less than 1% of the share capital of Bank of Communications

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 *(%)*	Carrying Amount at the End of the Period *(RMB)*	Gain or Loss Occurred in the Reporting Period *(RMB)*	Changes in Owner's Equity in the Reporting Period *(RMB)*	Accounting Items	Source of Equity Interest
Jiangsu Bank	74,400.00	74,400	—	74,400.00	5,952	0	Available-for-sale investments	Purchase
Huarong Xiangjiang Bank Corporation Limited	770,000.00	700,000	—	550,000.00	0	0	Available-for-sale investments	Purchase
Donghai Securities Co., Ltd.	19,483,800.00	20,000,000	1.20	19,483,800.00	0	0	Available-for-sale investments	Purchase

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

(IV) ACQUISITIONS AND DISPOSALS OF ASSETS OR MERGER BY ABSORPTION BY THE COMPANY DURING THE REPORTING PERIOD

The Company was not involved in any acquisition or disposal of assets or merger by absorption during the reporting period.

(V) THE COMPANY'S IMPLEMENTATION OF SHARE OPTION INCENTIVE SCHEME AND ITS EFFECTS

1. Decision-making procedures and approval of the share option incentive scheme

During the reporting period, the Board and the General Meeting of the Company successively considered and approved the resolutions in relation to the Share Option Scheme, the Measures for Appraisal of Performance of Participants to the Share Option Scheme, and the Share Option Grant Date, and determined that 24 April 2011 was the grant date of the Share Option Scheme.

2. Summary of the Share Option Incentive Scheme

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.

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 approximately 0.374% of the total issued A shares of the Company as at the approval date of the Share Option Scheme and approximately 0.310% of the total issued shares of the Company, respectively, which was 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. 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, which,accordingly, shall be RMB5.43.

3. Implementation of the Share Option Incentive Scheme and Its Effects

Unit: Share

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 actual controllers of the Company, together with their respective spouses and lineal relatives.
Total granted but outstanding equity at the beginning of the reporting period on cumulative basis	0
Total granted equity during the reporting period	36,605,000
Total exercised equity during the reporting period	0
Total lapsed equity during the reporting period	0
Total granted but outstanding equity at the end of the reporting period on cumulative basis	36,605,000
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, Supervisors 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 outstanding interest at the end of the reporting period
Zhao Xiaogang	Chairman	0	200,000	0	200,000
Zheng Changhong	Vice Chairman and President	0	200,000	0	200,000
Tang Kelin	Executive Director and Vice President	0	170,000	0	170,000
Liu Hualong	Executive Director and Vice President	0	170,000	0	170,000
Zhang Jun	Vice President	0	170,000	0	170,000
Fu Jianguo	Vice President	0	170,000	0	170,000
Zhan Yanjing	Vice President and Chief Financial Officer	0	170,000	0	170,000
Shao Renqiang	Secretary to the Board	0	150,000	0	150,000
Subtotal		0	1,400,000	0	1,400,000
Subtotal of other participants		0	35,205,000	0	35,205,000
Total		0	36,605,000	0	36,605,000

Equity changes arising from exercise by participants	As at the end of the reporting period, the Share Options of the Company were still in the lock-up period and yet to be exercised, so 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 rate of interest: 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 model option pricing formula was RMB151,009,745, among which, the option tariff of the Company recognized in 2011 was RMB36,066,119. The calculation result of the share option value is based on certain assumptions of the used parameters and restricted by the model adopted. Therefore, the valuation of the share options might be subjective and inconclusive.

(VI) MATERIAL CONTRACTS AND THEIR PERFORMANCE

1. Trusts, contracts and lease arrangements which contribute 10% or more of the total profit of the Company for the period

(1) Trust

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

(2) Contract

The Company did not act as a contractor during the year.

(3) Lease arrangement

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

2. 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 (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	4,952,007
Total guarantee balance provided to the Company's subsidiaries at the end of the reporting period	5,026,065
Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries)	
Total guarantee amount	5,026,065
Percentage of total guarantee amount to net assets of the Company *(%)*	22.28%
including:	
Amount of guarantees provided in favour of shareholders, ultimate controller and their related parties	—
Amount of guarantees directly or indirectly provided in favour of parties with gearing ratio over 70%	2,341,929
Portion of the total guarantee amount in excess of 50% of net assets	—
Total amount of the three above-stated guarantees	2,341,929

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.

Under the influence of tightening bank credit, the Company saw substantial increase in its guarantee business during the period, due to material growth in bank acceptance drafts, letters of guarantee and letters of credit opened by its subsidiaries during the reporting period through the head office's centralized credit line. During the reporting period, total guarantee amount provided by the Company in favour of its subsidiaries was RMB4,952 million. As at 31 December 2011, total guarantee balance was RMB5,026 million, representing 22.28% of the net assets. Out of such guarantee balance, RMB3,538 million and RMB1,488 million were provided to the Company's wholly-owned subsidiaries and non wholly-owned subsidiaries respectively. As far as guarantee type is concerned, RMB3,325 million was provided by way of bank acceptance drafts, RMB483 million was provided by way of letters of guarantee and letters of credit, and RMB1,218 million was provided by way of loan guarantees.

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 RMB2,342 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%.

(VII) PERFORMANCE OF UNDERTAKINGS

1. CSRG, the controlling shareholder of the Company, made the following undertakings in the Prospectus:

(1) The lock-up undertaking in respect of the shares held by CSRG in the Company is as follows: within 36 months from the date of listing of the Company's A Shares on the Shanghai Stock Exchange, CSRG will not transfer or authorize others to manage its shareholdings in the Company, nor will the Company acquire such shares. Such lock-up period was relieved on 18 August 2011.

(2) The undertaking made by CSRG in respect of restructuring of South Huiton is as follows: there should be a proposed restructuring in CSRG's shareholdings and relevant assets in South Huiton. This includes but not limit to CSRG's proposed 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 CSRG's 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.

(3) The non-competition undertakings are as follows:

i) 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;

ii) Subject to the aforesaid undertaking i), 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;

iii) Subject to the aforesaid undertaking i), 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 of transfer;

iv) CSRG should indemnify the Company for its actual losses due to the losses arising from the failure in fulfilling the undertakings i) to iii) as described above.

During the reporting period, CSRG, the controlling shareholder of the Company, fully complied with its undertakings as stated above. On 29 January 2011, the Company issued an announcement in relation to the undertaking made by CSRG to South Huiton, stating that it received from CSRG 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.

2. Commitment on building ownership issues

The Company has not yet obtained proper property ownership certificates for 114 properties with a total gross floor area of approximately 73,585.58 square meters, mainly because they have not been granted property ownership certificates by the local government authorities due to the implementation of the "Leaving the City and Entering the Suburb" policy in Shijiazhuang and the changes in urban planning in Chengdu area. In respect of those properties in Shijiazhuang, Shijiazhuang Administration of Urban and Rural Planning (石家莊市城鄉規劃局) has issued the Explanation on the Area Planning of CSR Shijiazhuang Rolling Stock Works and pointed out that it would, due to urban planning, not accept any applications for the planning permit in respect of any properties without property ownership certificates. In respect of those properties in Chengdu, Chengdu Administration of Urban Planning (成都市規劃管理局) has issued the Explanation on the Road Planning in the Area of CSR Chengdu Locomotive & Rolling Stock Works and pointed out that two municipal roads planned would run through the land of the area of the works based on the need of urban development. Application of property ownership certificates for such properties was temporarily on hold according to the request of the local governments. Apart from the above two subsidiaries which were unable to obtain the property ownership certificates due to objective reasons, property ownership certificates have been obtained with respect to all remaining properties. For details about relocation of Shijiangzhuang Company, please refer to relevant announcements of the Company dated 6 August 2011 and 17 March 2012 published on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

3. Other commitments

CSRG undertook to voluntarily subject 6,422,914,285 tradable shares subject to trading moratorium it holds in the Company, which have been relieved from such 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 Shanghai Stock Exchange.

During the reporting period, CSRG, the controlling shareholder of the Company, complied with all the foregoing commitments.

(VIII) PUNISHMENTS AND RECTIFICATIONS OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS AND ULTIMATE CONTROLLER

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

(IX) NOTES ON OTHER MATERIAL EVENTS

1. Increase of shareholding by the controlling shareholder

On 1 July 2010, CSRG increased its shareholding in the Company for the first time, and up to 30 June 2011 when such increase of shareholding period expired, CSRG increased its shareholding in the Company by 2,800,000 shares. Upon such expiry and pursuant to relevant policies, CSRG submitted to the CSRC the Report of CSR Group in Relation to Application for a Waiver from General Offer Obligations to CSR Corporation Limited, and obtained from the CSRC the Reply on Approval of a Waiver of CSR Group From General Offer Obligations to CSR Corporation Limited (Jian Xu Ke [2011] No.1274). For details, please refer to relevant announcement of the Company dated 1 July 2011 published on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

2. Refinancing of subsidiaries

Times New Material carried out share placement for financing and obtained on 11 January 2012 the Reply of the SASAC under the State Council Concerning Relevant Issues on Share Placement by Zhuzhou Times New Material Technology Co., Ltd. (Guo Zi Chan Quan [2012] No.15). Times New Material already convened a general meeting at which the share placement plan was passed. Currently, the said share placement project is in progress.

3. Issuance of short-term debentures

In July and November of 2011 respectively, the Company issued the first tranche and the second tranche of short-term debentures for 2011 in the PRC inter-bank bond market, with issue amounts of RMB3 billion and RMB2 billion respectively. For details, please refer to relevant announcements of the Company respectively dated 12 July 2011 and 16 November 2011 published on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and the websites of the Shanghai Stock Exchange 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 196, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, 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 2011, 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
30 March 2012

CONSOLIDATED INCOME STATEMENT

	Notes	2011 RMB'000	2010 (Restated) RMB'000
REVENUE	5	**79,516,958**	64,132,399
Cost of sales		**(64,646,619)**	(53,145,221)
Gross profit		**14,870,339**	10,987,178
Other income and gains	5	**818,601**	620,536
Selling and distribution costs		**(2,734,686)**	(1,989,254)
Administrative expenses		**(7,017,068)**	(5,799,821)
Other expenses, net	6	**(169,354)**	(452,279)
PROFIT FROM OPERATIONS		**5,767,832**	3,366,360
Finance costs	7	**(993,739)**	(318,368)
Share of profits and losses of:			
Jointly-controlled entities		**650,985**	597,496
Associates		**17,049**	14,298
PROFIT BEFORE TAX	6	**5,442,127**	3,659,786
Income tax expense	10	**(698,887)**	(415,901)
PROFIT FOR THE YEAR		**4,743,240**	3,243,885
Attributable to:			
Owners of the parent		**3,864,153**	2,526,302
Non-controlling interests		**879,087**	717,583
		4,743,240	3,243,885
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	13	**32.6 cents**	21.3 cents
– Diluted	13	**32.6 cents**	21.3 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

	Note	**2011** *RMB'000*	2010 (Restated) *RMB'000*
PROFIT FOR THE YEAR		**4,743,240**	3,243,885
OTHER COMPREHENSIVE INCOME			
Available-for-sale assets:			
Changes in fair value		**(76,782)**	(2,866)
Reclassification adjustments for gains included in profit or loss			
– gain on disposal	5	**—**	(2,417)
Income tax effect		**—**	942
Exchange differences on translation of foreign operations		**(16,706)**	(29,675)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(93,488)**	(34,016)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,649,752**	3,209,869
Total comprehensive income attributable to:			
Owners of the parent		**3,777,984**	2,502,590
Non-controlling interests		**871,768**	707,279
		4,649,752	3,209,869

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2011 RMB'000	2010 (Restated) RMB'000	As at 1 January 2010 (Restated) RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	**21,374,331**	17,100,519	13,533,403
Prepaid land lease payments	15	**4,404,065**	3,978,622	3,476,227
Goodwill	16	**53,972**	48,879	52,544
Other intangible assets	17	**451,002**	409,191	439,835
Investments in jointly-controlled entities	19	**1,509,695**	894,129	782,798
Investments in associates	20	**559,005**	214,953	56,604
Available-for-sale investments	21	**271,282**	25,598	31,117
Deferred tax assets	10	**362,558**	287,333	183,748
Other non-current assets	22	**193,137**	523,569	26,219
Total non-current assets		**29,179,047**	23,482,793	18,582,495
CURRENT ASSETS				
Inventories	23	**17,841,991**	17,793,573	11,462,938
Trade receivables	24	**13,689,416**	11,179,240	6,669,853
Bills receivable	25	**4,201,451**	1,720,935	1,002,197
Prepayments, deposits and other receivables	26	**4,061,678**	4,979,690	4,646,667
Financial assets at fair value through profit or loss	27	**11,861**	17,512	24,248
Derivative financial instruments	28	**35,774**	—	—
Tax recoverable		**34,845**	46,196	78,456
Pledged deposits	29	**637,847**	759,039	1,632,987
Cash and cash equivalents	29	**23,092,481**	13,781,564	11,290,012
Total current assets		**63,607,344**	50,277,749	36,807,358
CURRENT LIABILITIES				
Trade payables	30	**21,238,995**	18,044,142	13,718,931
Bills payable	31	**6,616,548**	6,925,713	4,980,144
Other payables and accruals	32	**11,979,765**	11,131,331	7,624,520
Interest-bearing bank and other borrowings	33	**18,099,123**	5,812,758	3,217,487
Defined benefit obligations	34	**150,070**	170,189	175,450
Tax payable		**490,354**	301,526	186,194
Provision for warranties	35	**400,920**	296,749	215,094
Government grants	36	**209,157**	132,684	48,783
Total current liabilities		**59,184,932**	42,815,092	30,166,603
NET CURRENT ASSETS		**4,422,412**	7,462,657	6,640,755
TOTAL ASSETS LESS CURRENT LIABILITIES		**33,601,459**	30,945,450	25,223,250

	Notes	2011 RMB'000	2010 (Restated) RMB'000	As at 1 January 2010 (Restated) RMB'000
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	33	**2,325,097**	4,203,724	2,171,866
Defined benefit obligations	34	**1,569,030**	1,775,451	1,987,330
Provision for warranties	35	**733,446**	411,696	144,724
Government grants	36	**760,511**	671,540	549,118
Deferred tax liabilities	10	**26,788**	12,899	11,903
Other non-current liabilities		**98,670**	1,556	3,209
Total non-current liabilities		**5,513,542**	7,076,866	4,868,150
Net assets		**28,087,917**	23,868,584	20,355,100
EQUITY				
Equity attributable to owners of the parent				
Share capital	38	**11,840,000**	11,840,000	11,840,000
Reserves	38	**8,237,090**	6,954,072	5,045,190
Proposed final dividend	12	**2,484,540**	473,600	473,600
		22,561,630	19,267,672	17,358,790
Non-controlling interests		**5,526,287**	4,600,912	2,996,310
Total equity		**28,087,917**	23,868,584	20,355,100

Zhao Xiaogang
Director

Zheng Changhong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	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 2011											
As previously reported	11,840,000	2,683,734	1,812	—	288,658	(22,711)	3,979,092	473,600	19,244,185	4,596,565	23,840,750
Business combination under common control	—	48,634	—	—	—	—	(25,147)	—	23,487	4,347	27,834
As restated	11,840,000	2,732,368	1,812	—	288,658	(22,711)	3,953,945	473,600	19,267,672	4,600,912	23,868,584
Profit for the year	—	—	—	—	—	—	3,864,153	—	3,864,153	879,087	4,743,240
Other comprehensive income for the year:											
Change in fair value of available-for-sale investments, net of tax	—	—	(76,782)	—	—	—	—	—	(76,782)	—	(76,782)
Exchange differences on translation of foreign operations	—	—	—	—	—	(9,387)	—	—	(9,387)	(7,319)	(16,706)
Total comprehensive income for the year	—	—	(76,782)	—	—	(9,387)	3,864,153	—	3,777,984	871,768	4,649,752
Capital contribution from non-controlling shareholders *(Note)*	—	—	—	—	—	—	—	—	—	298,186	298,186
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	34,465	34,465
Acquisition non-controlling shareholders	—	—	—	—	—	—	—	—	—	(19,980)	(19,980)
Excess of the acquirers' additional interests in the carrying value of identifiable net assets over the cost of acquisition of additional interests in subsidiaries	—	4,059	—	—	—	—	—	—	4,059	(4,059)	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(255,005)	(255,005)
Business combination under common control	—	(50,551)	—	—	—	—	—	—	(50,551)	—	(50,551)
Equity-settled share option arrangement	—	—	—	36,066	—	—	—	—	36,066	—	36,066
Final 2010 dividend declared	—	—	—	—	—	—	—	(473,600)	(473,600)	—	(473,600)
Proposed final 2011 dividend	—	—	—	—	—	—	(2,484,540)	2,484,540	—	—	—
Transfer from retained earnings	—	—	—	—	207,937	—	(207,937)	—	—	—	—
At 31 December 2011	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

* *These reserve accounts comprise the consolidated reserves of RMB8,237,090,000 (31 December 2010 RMB6,954,072,000) in the consolidated statement of financial position.*

Note: In the year 2011, the Group established a subsidiary, Hangzhou CSR Rail Transportation Company Limited, together with Zhejiang Provincial Economic Construction Investment Co., Ltd., which caused non-controlling interests to increase RMB29,400,000;

In the year 2011, the Group established a subsidiary, Ningbo CSR Rail Transportation Equipment Company Limited, together with Ningbo Rail Transportation Equipment Group Limited and Ningbo Yinzhou Development Construction Investment Co., Ltd., which caused non-controlling interests to increase RMB54,000,000;

In the year 2011, the Group incorporated a subsidiary, CSR Yuchai Sichuan Engine Co., Ltd. ("CSR Yuchai"), with Guangxi Yuchai Machinery Group Co., Ltd, Sichuan Nanjun Automobile Co., Ltd. and natural persons, which caused non-controlling interests to increase RMB34,460,000; on August 31, 2011, the non-controlling shareholder injected capital into CSR Yuchai, which caused non-controlling interests to increase RMB97,100,000;

In the year 2011, the non-controlling shareholder injected capital into Changzhou CSR GE Electric Diesel Engine Co., Ltd., which caused non-controlling interests to increase RMB20,460,000.

Year ended 31 December 2010

	Attributable to owners of the parent									
	Share capital *RMB'000*	Capital reserve *RMB'000*	Available-for-sale investment revaluation 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 2010										
As previously reported	11,840,000	2,803,842	6,153	149,754	(3,340)	2,060,159	473,600	17,330,168	2,990,983	20,321,151
Business combination under common control	—	48,634	—	—	—	(20,012)	—	28,622	5,327	33,949
As restated	11,840,000	2,852,476	6,153	149,754	(3,340)	2,040,147	473,600	17,358,790	2,996,310	20,355,100
Profit for the year	—	—	—	—	—	2,526,302	—	2,526,302	717,583	3,243,885
Other comprehensive income for the year:										
Change in fair value of available-for-sale investments, net of tax	—	—	(4,341)	—	—	—	—	(4,341)	—	(4,341)
Exchange differences on translation of foreign operations	—	—	—	—	(19,371)	—	—	(19,371)	(10,304)	(29,675)
Total comprehensive income for the year	—	—	(4,341)	—	(19,371)	2,526,302	—	2,502,590	707,279	3,209,869
Capital contribution from non-controlling shareholders *(Note 1)*	—	—	—	—	—	—	—	—	1,073,053	1,073,053
Acquisition of non-controlling shareholders	—	—	—	—	—	—	—	—	(51,656)	(51,656)
Dilution of non-controlling interests/excess of the cost of acquisition of additional interests in subsidiaries over the acquirers' additional interests in the carrying value of identifiable net assets *(Note 2)*	—	(120,108)	—	—	—	—	—	(120,108)	120,108	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(244,182)	(244,182)
Final 2009 dividend declared	—	—	—	—	—	—	(473,600)	(473,600)	—	(473,600)
Proposed final 2010 dividend	—	—	—	—	—	(473,600)	473,600	—	—	—
Transfer from retained earnings	—	—	—	138,904	—	(138,904)	—	—	—	—
At 31 December 2010	11,840,000	2,732,368	1,812	288,658	(22,711)	3,953,945	473,600	19,267,672	4,600,912	23,868,584

Note 1: In the year 2010, Zhuzhou Times New Material Technology Co., Ltd. issued additional equity for the Group and some non-controlling shareholders, which caused non-controlling interests to increase RMB463,220,000;

In the year 2010, the Group established a subsidiary, Guangzhou CSR Rail Transportation Company Limited, together with Guangdong Railway Construction Investment Group Co., Ltd., which caused non-controlling interests to increase RMB196,000,000;

In the year 2010, the Group established a subsidiary, Guangzhou CSR Rolling Equipment Company Limited, together with Guangzhou City Subway Company, which caused non-controlling interests to increase RMB119,520,000;

In the year 2010, the Group and non-controlling shareholders of Hunan CSR Times Electric Bus Limited Company ("CTEB") injected capital into CTEB, which caused non-controlling interests to increase RMB123,400,000;

In the year 2010, the Group and the non-controlling shareholder of Shijiazhuang Guoxiang Transportation Company Limited ("SGT") injected capital into SGT, which caused non-controlling interests to increase RMB58,700,000;

Note 2: The dilution loss included RMB128 million which arose from the additional equity offering by Zhuzhou Times New Material Technology Co., Ltd. in 2010.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2011 RMB'000	2010 (Restated) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**5,442,127**	3,659,786
Adjustments for:			
Depreciation of items of property, plant and equipment	6	**1,326,140**	1,094,825
Impairment of items of property, plant and equipment	6	**20,736**	29,046
Amortisation of prepaid land lease payments	6	**95,872**	79,829
Amortisation of other intangible assets	6	**115,601**	110,284
Impairment of other intangible assets	6	**—**	131,628
Loss on disposal of items of property, plant and equipment, net	6	**462**	42,610
Loss on disposal of other intangible assets, net	6	**586**	17,239
Loss/(gain) on disposal of prepaid land lease payments	6	**6,820**	(1,678)
Provision against obsolete inventories	6	**2,806**	156,714
Impairment of trade receivables	6	**93,611**	124,864
Impairment of other receivables	6	**35,114**	36,133
Interest income	5	**(157,699)**	(91,903)
Dividend income	5	**(43)**	(148)
Finance costs	7	**993,739**	318,368
Share of profits and losses of associates and jointly-controlled entities		**(668,034)**	(611,794)
Gain on disposal of an investment in an associate	5	**—**	(233)
Gain on disposal of an investment in a jointly-controlled venture	5	**—**	(28,859)
Loss on equity investments at fair value through profit or loss	6	**8,295**	6,736
Gain on disposal of listed equity investments, at fair value	5	**—**	(2,417)
Equity-settled share option expense	6	**(36,066)**	—
Gain on derivative financial instruments	5	**(35,774)**	—
Gain on disposal of unlisted equity investments, at cost	5	**(1,558)**	—
Gain on financial instruments included in other receivables	5	**(22,653)**	(1,521)
Loss on disposal of a subsidiary		**861**	—
		7,220,943	5,069,509
Decrease/(increase) in inventories		**78,615**	(6,483,701)
Increase in trade receivables, bills receivable and prepayments, deposits and other receivables		**(4,355,819)**	(5,513,878)
Decrease in pledged deposits		**121,192**	873,948
Increase in trade payables, bills payable and other payables and accruals		**3,664,507**	9,929,414
Decrease in defined benefit obligations		**(226,540)**	(217,140)
Increase in provision for warranties		**425,921**	348,627
Decrease/(increase) in other non-current assets		**422,615**	(8,569)
Cash generated from operations		**7,351,434**	3,998,210
Interest received		**157,699**	91,903
Income tax paid		**(567,799)**	(368,974)
Net cash inflow from operating activities		**6,941,334**	3,721,139

	2011 RMB'000	2010 (Restated) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment, excluding interest capitalised	**(5,628,762)**	(5,092,650)
Acquisition of prepaid land lease payments	**(469,799)**	(625,785)
Purchases of other intangible assets	**(98,166)**	(238,486)
Investments in associates	**(11,021)**	(181,604)
Business combination under common control	**(50,551)**	—
Purchases of available-for-sale investments	**(330,873)**	(585)
Purchases of financial assets at fair value through profit or loss	**(3,300)**	—
Purchases of financial instruments classified as other receivables	**(16,530,301)**	(50,000)
Prepayment of investments	**(46,478)**	—
Investment in setting up a new entity	**—**	(200,000)
Proceeds from acquisition of a subsidiary	**23,130**	—
Acquisition of a subsidiary	**(17,780)**	—
Dividends received from a jointly-controlled entity	**285,780**	230,500
Dividends received from available-for-sale investments	**43**	148
Dividends received from associates	**3,098**	—
Interest on financial instruments included in other receivables	**22,653**	1,521
Proceeds from disposal of investments in associates	**—**	4,596
Proceeds from disposal of an interest in a jointly-controlled entity	**—**	32,856
Proceeds from disposal of prepaid land lease payments	**15,602**	36,640
Proceeds from disposal of items of property, plant and equipment	**145,247**	117,965
Proceeds from disposal of other intangible assets	**436**	7,825
Proceeds from disposal of available-for-sale investments	**1,748**	3,238
Proceeds from disposal of financial instruments classified as other receivables	**16,200,080**	—
Disposal of a subsidiary	**(1)**	—
Decrease/(increase) in non-pledged deposits with original maturity of three months or more when acquired	**(1,053,908)**	212,366
Receipt of government grants	**—**	93,107
Net cash flows used in investing activities	**(7,543,123)**	(5,648,348)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bonds	**(500,000)**	—
Repayment of bank and other borrowings	**(28,395,865)**	(7,427,569)
Capital contributions from non-controlling shareholders	**289,150**	1,046,838
Purchase of non-controlling interests	**(10,944)**	(51,660)
Dividends paid to non-controlling shareholders	**(245,042)**	(670,985)
Interest paid	**(930,731)**	(270,820)
Distribution to shareholders	**(473,600)**	—
Proceeds from bank and other borrowings	**33,200,692**	9,558,055
Proceeds from issuance of bonds	**6,000,000**	2,500,000
Bond issue expense	**(36,000)**	(14,000)
Net cash flows from financing activities	**8,897,660**	4,669,859
Effect of foreign exchange rate changes, net	**(38,862)**	(38,732)
Net increase in cash and cash equivalents	**8,257,009**	2,703,918
Cash and cash equivalents at beginning of year	**13,718,867**	11,014,949
Cash and cash equivalents at end of year	**21,975,876**	13,718,867

STATEMENT OF FINANCIAL POSITION

	Notes	2011 RMB'000	2010 (Restated) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**16,170**	14,878
Other intangible assets	17	**22,185**	20,581
Investments in subsidiaries	18	**23,481,918**	23,142,666
Investments in an associate	20	**200,000**	—
Available-for-sale investments	21	**678**	678
Other non-current assets	22	**22,430**	362,184
Total non-current assets		**23,743,381**	23,540,987
CURRENT ASSETS			
Prepayments, deposits and other receivables	26	**7,458,608**	6,658,856
Pledged deposits	29	**4,348**	4,344
Cash and cash equivalents	29	**11,711,632**	4,590,430
Total current assets		**19,174,588**	11,253,630
CURRENT LIABILITIES			
Other payables and accruals	32	**6,159,513**	7,201,719
Interest-bearing bank and other borrowings	33	**12,010,000**	2,380,000
Defined benefit obligations	34	**1,860**	1,530
Total current liabilities		**18,171,373**	9,583,249
NET CURRENT ASSETS		**1,003,215**	1,670,381
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,746,596**	25,211,368
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	**2,000,000**	4,100,000
Defined benefit obligations	34	**11,960**	14,630
Total non-current liabilities		**2,011,960**	4,114,630
Net assets		**22,734,636**	21,096,738
EQUITY			
Share capital	38	**11,840,000**	11,840,000
Reserves	38	**8,410,096**	8,783,138
Proposed final dividend	12	**2,484,540**	473,600
Total equity		**22,734,636**	21,096,738

Zhao Xiaogang
Director

Zheng Changhong
Director

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND REORGANISATION

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. 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) ("CSRG"), 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2011. 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 that 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 profits, as appropriate.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of IFRSs - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	Amendments to a number of IFRSs

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 1 Amendments — *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*

IFRS 1 Amendments permitted first-time adopters of IFRSs to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with IFRSs that are included in Amendments to IFRS 7 Financial Instruments: *Disclosures — Improving Disclosures about Financial Instruments*, the amendments do not have any financial impact on the Group.

(b) IAS 24 (Revised) — *Related Party Disclosures*

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. Please refer to note 43 to the financial statements.

(c) IAS 32 Amendment — *Amendment to IAS 32 Financial Instruments: Presentation — Classification of Rights Issues*

The IAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment has no financial impact on the Group.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

(d) IFRIC 14 Amendments — *Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement*

The IFRIC 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. As the Group has not undertaken any such transaction, the amendments have no financial impact on the Group.

(e) IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

IFRIC 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group has not undertaken such transactions, the interpretation has no financial impact on the Group.

(f) *Improvements to IFRSs 2010* — Amendments to a number of IFRSs

Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. The amendment that has a significant impact on the Group's policies is as follows:

IAS 1 *Presentation of Financial Statements:* The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

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 interpretations, that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets* [1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* [4]
IFRS 9	*Financial Instruments* [6]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 Amendments	Amendments to IAS 1 *Financial Statement Presentation — Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets* [2]
IAS 19 (2011)	*Employee Benefits*[4]
IAS 27 (2011)	*Separate Financial Statements*[4]
IAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting financial assets and financial liabilities*[5]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

IFRS 1 Amendments — *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time, and provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs. The amendments are unlikely to have any significant financial impact on the Group.

Amendments to IFRS 7 Financial Instruments: *Disclosures — Transfers of Financial Assets* introduce more extensive and onerous quantitative and qualitative disclosure requirements on the transfer of financial assets. The amendments will affect the disclosures of the financial statements on the Group.

Amendments to IFRS 7 Financial Instruments: *Disclosures — Offsetting Financial Assets and Financial Liabilities* revise the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. As the Group has not undertaken any such transaction, the adoption of the amendments is unlikely to have any significant financial impact on the Group.

Consequential amendments were made to IAS 32 as a result of the Amendments to IFRS 7 Financial Instruments: *Disclosures — Offsetting Financial Assets and Financial Liabilities*. As the Group has not undertaken any such transaction, the adoption of the amendments is unlikely to have any significant financial impact on the Group.

IFRS 9 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, IASB added the requirements for classification and measurement of financial liabilities to IFRS 9. Most of the requirements were carried forward unchanged from IAS 39, and if unquoted equity instruments (and derivative assets linked to those investments) were not reliably measurable, IFRS 9 requires those derivatives to be measured at fair value rather than cost under IAS 39. The amendment is unlikely to have any significant financial impact on the Group.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group expects to adopt IFRS 9 from 1 January 2015. The adoption of the new standard is unlikely to have any significant financial impact on the Group.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 will require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements that were in IAS 27 and SIC-12 *Consolidation — Special Purpose Entities. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — *Special Purpose Entities*. This standard is unlikely to have any significant financial impact on the Group.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. As the Group has not undertaken any such transaction, the adoption of the standard is unlikely to have any significant financial impact on the Group.

IFRS 12 includes all of the disclosures for subsidiaries, joint arrangements, associates and structured entities that were previously in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures and IAS 28 Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, and the consequential amendments to IAS 27 and IAS 28 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

IAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

IAS 12 Amendments clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The Amendments are unlikely to have any significant financial impact on the Group.

IAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt IAS 19 (2011) from 1 January 2013.

IFRIC 20 is aimed to clarifying the requirements for accounting for stripping costs in the production phase of a surface mine. The Interpretation was developed to address issues comprising recognition of production stripping costs as an asset; the initial measurement of the stripping activity asset; and subsequent measurement of the stripping activity asset. As the Group has not undertaken such transactions, the interpretation is unlikely to have any significant financial impact on the Group.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's 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.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with IAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities 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. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in consolidated profit or loss and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

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

When an investment in a jointly-controlled entity 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)

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled 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.

The Group's investments in associates 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. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit or loss and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

The results of associates are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses. When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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 it 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 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 acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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 the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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 forms part of a cash-generating unit (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 disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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 to sell, 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 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 any 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 profit or loss in the period in which it arises.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(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, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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 and 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 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.

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 properties 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Research and development costs

All research costs are charged to 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.

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 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 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 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 within the scope of IAS 39 are classified 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. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through 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)

Initial recognition and measurement (Continued)

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.

The Group's financial assets include cash and bank balances, trade and other receivables, bills receivable, loans receivable and quoted and unquoted financial instruments.

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 net changes in fair value recognised in 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 at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under IAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

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 at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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 profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

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)

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 profit or loss. The loss arising from impairment is recognised in profit or loss in other expenses.

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 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 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 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 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 and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

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 profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 derecognised 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 asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

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

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. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has 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 individually whether objective evidence of impairment exists 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.

If there is objective evidence that an impairment loss has been incurred, 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 (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). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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 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 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 profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "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 profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through 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 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 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 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 within the scope of IAS 39 are classified as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, 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 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 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, and only 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)

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis and option pricing models.

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 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 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 interests in 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 over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts 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 profit or loss by way of a reduced depreciation charge.

Where the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary assets or a nominal amount and released to profit or loss over the expected useful life of the relevant asset 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 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 through 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.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labor 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

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 payment transactions, 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 a 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 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 payment transaction, 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.

Employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement schemes organised by 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 contribution has 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 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Pension obligations (Continued)

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 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.

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 ruling 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. All differences arising on settlement or translation of monetary items are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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 ruling 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 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 the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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 2011 was RMB1,719,100,000 (2010: RMB1,945,640,000).

Deferred tax assets

Deferred tax assets are recognised for all 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 2011 was RMB362,558,000 (2010: RMB287,333,000). Further details are contained in note 10 to the financial statements.

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 2011 were RMB13,689,416,000 (2010: RMB11,179,240,000) and RMB4,061,678,000 (2010: RMB4,979,690,000), 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 2011 was RMB17,841,991,000 (2010: RMB17,793,573,000).

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 2011 was RMB53,972,000 (2010: RMB48,879,000). 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

	2011 *RMB'000*	2010 (Restated) *RMB'000*
Rail transportation products and their extent products and services	**79,516,958**	64,132,399

Geographical information

Revenue from external customers

	2011 *RMB'000*	2010 (Restated) *RMB'000*
Mainland China	**73,410,945**	61,795,118
Other countries and regions	**6,106,013**	2,337,281
	79,516,958	64,132,399

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

Non-current assets

	31 December 2011 *RMB'000*	31 December 2010 (Restated) *RMB'000*
Mainland China	**27,927,875**	22,839,827
Other countries and regions	**606,922**	321,467
	28,534,797	23,161,294

The non-current asset information above is based on the location of 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 2011 was RMB43,859,179,000 (2010: RMB37,341,280,000). 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 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	2011 RMB'000	2010 (Restated) RMB'000
Revenue			
Sale of goods and services		**79,516,958**	64,132,399
Other income			
Interest income		**157,699**	91,903
Dividend income		**43**	148
Profit from sales of scrap materials		**62,899**	56,215
Value-added tax refunds		**73,138**	42,865
Government grants	36	**405,500**	373,997
Total		**699,279**	565,128
Gains			
Fair value gains:			
Listed equity investment included in available-for-sale investments (transfer from equity on disposal)		**—**	2,417
Derivative financial instruments		**35,774**	—
Gain on disposal of unlisted equity investments included in available-for sale investments, stated at cost		**1,558**	—
Loss on disposal of a subsidiary		**(861)**	—
Gain on disposal of an investment in an associate		**—**	233
Gain on disposal of an investment in a jointly-controlled venture		**—**	28,859
Gain on financial instruments included in other receivables		**22,653**	1,521
Gain on rental of items of property, plant and equipment		**12,055**	1,979
Gain/(loss) on technical service		**16,652**	(8,616)
Gain on commission service		**9,253**	18,717
Others		**22,238**	10,298
Total		**119,322**	55,408
		818,601	620,536

6. PROFIT BEFORE TAX

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

	Notes	2011 RMB'000	2010 (Restated) RMB'000
Cost of inventories sold		**64,646,619**	53,145,221
Depreciation of items of property, plant and equipment	14	**1,326,140**	1,094,825
Amortisation of prepaid land lease payments	15	**95,872**	79,829
Amortisation of other intangible assets	17	**115,601**	110,284
Provision against obsolete inventories *		**2,806**	156,714
Auditors' remuneration		**12,500**	12,000
Provision for warranties	35	**956,229**	705,438
Minimum lease payments under operating leases:			
Plant and machinery		**35,965**	29,006
Land and buildings		**66,659**	40,763
Research and development costs		**2,961,081**	2,445,508
Less: amount capitalised		**(34,054)**	(2,321)
		2,927,027	2,443,187
Staff costs (including directors' and supervisors' remuneration wages, salaries and other employees' benefits)		**6,965,850**	5,440,264
Contribution to government-operated pension schemes		**763,302**	602,226
Contribution to annuity pension schemes		**130,780**	85,493
Equity-settled share option expense		**36,066**	—
Defined benefit obligations — interest costs		**(58,290)**	(8,630)
		7,837,708	6,119,353
Included in other expenses, net:			
Impairment of trade receivables	24	**93,611**	124,864
Impairment of other receivables	26	**35,114**	36,133
Exchange losses, net		**3,730**	65,701
Loss on disposal of items of property, plant and equipment, net		**462**	42,610
Loss on disposal of other intangible assets, net		**586**	17,239
Losses on equity investments at fair value through profit or loss		**8,295**	6,736
Loss/(gain) on disposal of prepaid land lease payments		**6,820**	(1,678)
Impairment of items of property, plant and equipment	14	**20,736**	29,046
Impairment of other intangible assets	17	**—**	131,628
		169,354	452,279

* Included in "Cost of sales" on the face of the consolidated statement of comprehensive income for the years ended 31 December 2011 and 31 December 2010.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011	2010
		(Restated)
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	**1,052,963**	347,750
Interest on bills discounted	**8,335**	4,420
Less: Interest capitalised in construction in progress	**(67,559)**	(33,802)
Total	**993,739**	318,368

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND BENEFIT CONTRIBUTIONS

Directors' and supervisors' 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	
	2011	2010
	RMB'000	*RMB'000*
Fees	**898**	770
Other emoluments:		
Salaries	**1,224**	1,038
Performance-related bonuses	**2,424**	1,925
Social security contribution other than pension*	**216**	192
Pension scheme contributions**	**180**	164
	4,044	3,319

* 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 and supervisors.

** 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 and supervisors.

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND BENEFIT CONTRIBUTIONS (CONTINUED)

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

Year ended 31 December 2011

	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*
Executive directors:						
Mr. Zhao Xiaogang	—	192	564	36	30	822
Mr. Zheng Changhong	—	192	564	36	30	822
Mr. Tang Kelin	—	173	508	36	30	747
Mr. Liu Hualong	—	173	508	36	30	747
	—	730	2,144	144	120	3,138
Independent non-executive directors:						
Mr. Zhao Jibin	171	—	—	—	—	171
Mr. Yang Yuzhong	186	—	—	—	—	186
Mr. Chen Yongkuan	175	—	—	—	—	175
Mr. Dai Deming	193	—	—	—	—	193
Mr. Tsoi, David	173	—	—	—	—	173
	898	—	—	—	—	898
Supervisors:						
Mr. Wang Yan	—	—	—	—	—	—
Mr. Qiu Wei	—	247	139	36	30	452
Mr. Sun ke	—	247	141	36	30	454
	—	494	280	72	60	906
	898	1,224	2,424	216	180	4,942

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND BENEFIT CONTRIBUTIONS (CONTINUED)

The names of the directors and supervisors and their remuneration and benefit contributions for the year are as follows: (Continued)

Year ended 31 December 2010

	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*
Executive directors:						
Mr. Zhao Xiaogang	—	167	437	34	29	667
Mr. Zheng Changhong	—	167	437	34	29	667
Mr. Tang Kelin	—	142	399	34	29	604
Mr. Liu Hualong	—	142	399	34	29	604
	—	618	1,672	136	116	2,542
Independent non-executive directors:						
Mr. Zhao Jibin	151	—	—	—	—	151
Mr. Yang Yuzhong	166	—	—	—	—	166
Mr. Chen Yongkuan	152	—	—	—	—	152
Mr. Dai Deming	157	—	—	—	—	157
Mr. Tsoi, David	144	—	—	—	—	144
	770	—	—	—	—	770
Supervisors:						
Mr. Wang Yan	—	—	—	—	—	—
Mr. Li Jianguo	—	198	130	22	19	369
Mr. Qiu Wei	—	222	123	34	29	408
	—	420	253	56	48	777
	770	1,038	1,925	192	164	4,089

No emoluments were paid by the Group to any of the directors or supervisors 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 a supervisor 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.

Details of the remuneration paid to the above non-director and non-supervisor highest paid employees during the year are as follows:

	Group	
	2011	2010
	RMB'000	*RMB'000*
Salaries	**857**	765
Performance-related bonuses	**5,418**	5,466
Social security contribution other than pension	**269**	296
Pension scheme contributions	**660**	742
	7,204	7,269

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

	Number of employees	
	2011	2010
RMB1,000,001 to RMB1,500,000	**3**	3
RMB1,500,001 to RMB2,000,000	**2**	2
	5	5

10. INCOME TAX

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

	Group	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
Current income tax	**764,621**	516,519
Deferred tax	**(65,734)**	(100,618)
Total tax charge for the year	**698,887**	415,901

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 2011 and 2010, 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 preferential tax rate of 15% (2010: 15%) because they are identified 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% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2011 and 2010.

10. INCOME TAX (CONTINUED)

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			
	2011		2010 (Restated)	
	RMB'000	**%**	*RMB'000*	%
Profit before tax	**5,442,127**		3,659,786	
Tax at the applicable tax rate	**1,360,532**	**25.0**	914,947	25.0
Entities subject to lower statutory income tax rates	**(495,005)**	**(9.1)**	(358,104)	(9.8)
Adjustments in respect of current tax of the previous year	**(4,364)**	**(0.1)**	(20,278)	(0.6)
Profit and losses of associates and jointly-controlled entities	**(158,470)**	**(2.9)**	(142,452)	(3.9)
Expenses not deductible for tax *(note 1)*	**150,140**	**2.8**	175,829	4.9
Prior year tax losses utilised	**(10,041)**	**(0.2)**	(16,905)	(0.5)
Tax losses not recognised	**44,954**	**0.8**	35,895	1.0
Others *(note 2)*	**(188,859)**	**(3.5)**	(173,031)	(4.7)
	698,887	**12.8**	415,901	11.4
Share of tax attributable to associates and jointly-controlled entities included in "Share of profits and losses of associates and jointly-controlled entities" on the face of the consolidated income statement	**96,871**		129,211	

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**	
	2011	2010 (Restated)	**2011**	2010 (Restated)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deferred tax assets:				
Warranty claims provision	**149,866**	100,295	**(49,571)**	(48,317)
Assets impairment	**29,792**	23,487	**(6,305)**	(3,355)
Tax losses	**1,724**	431	**(1,293)**	1,559
Wages payable	**3,172**	3,917	**745**	1,521
Accrued expenses	**64,026**	46,749	**(17,277)**	14,926
Government grants	**60,850**	54,631	**(6,219)**	(12,096)
Unrealised profits in inventories	**53,128**	57,823	**4,695**	(57,823)
Gross deferred tax assets	**362,558**	287,333		
Deferred tax liabilities:				
Fair value adjustment arising from financial assets at fair value through profit or loss	**(5,366)**	—	**5,366**	—
Fair value adjustments arising from available-for-sale financial assets	**—**	—	**—**	(942)
Fair value adjustments arising from acquisition of subsidiaries	**(10,678)**	(6,478)	**4,200**	(2,014)
Depreciation difference	**(10,744)**	(6,421)	**4,323**	3,952
Gross deferred tax liabilities	**(26,788)**	(12,899)		
			(61,336)	(102,589)
Represented by:				
Deferred tax credited to profit or loss			**(65,734)**	(100,618)
Deferred tax credited to other comprehensive income during the year			**—**	(942)
Acquisition of subsidiaries			**2,460**	—
Exchange realignment			**1,938**	(1,029)
			(61,336)	(102,589)

The Group also has tax losses arising in Mainland China of RM998,064,000 (2010: RMB814,237,000) 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 2011 includes a profit of RMB2,075,432,000 (2010: RMB1,389,035,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

The dividends for the years ended 31 December 2011 and 2010 are set out below:

	2011 ***RMB'000***	2010 *RMB'000*
Proposed final — RMB18.0 cents (2010: RMB4.0 cents) per ordinary share	**2,484,540**	473,600

The proposed final dividend for the year is based on total shares of 11,840,000,000 ordinary shares on 31 December 2011 and non-public offering of 1,963,000,000 A shares completed, and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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 11,840,000,000 (2010: 11,840,000,000) in issue during the year, as adjusted to reflect the rights 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.

The calculation of basic earnings per share is based on:

	2011 ***RMB'000***	2010 (Restated) *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**3,864,153**	2,526,302
Shares		
Weighted average number of domestic shares in issue during the year used in the calculation of basic earnings per share	**11,840,000,000**	11,840,000,000
Effect of dilution — weighted average number of ordinary shares: Share options	**1,081,000**	—
	11,841,081,000	11,840,000,000

14. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2011

	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*
At 1 January 2011:							
Cost		8,799,671	9,995,035	747,088	1,237,411	2,368,987	23,148,192
Accumulated depreciation and impairment		(1,696,488)	(3,411,262)	(390,427)	(548,920)	(576)	(6,047,673)
Net carrying amount		7,103,183	6,583,773	356,661	688,491	2,368,411	17,100,519
At 1 January 2011, net of accumulated depreciation and impairment		7,103,183	6,583,773	356,661	688,491	2,368,411	17,100,519
Additions		192,542	307,587	20,395	115,052	5,063,449	5,699,025
Transfer from construction in progress		1,635,269	2,132,222	29,238	70,137	(3,866,866)	—
Acquisition of subsidiaries	40	50,802	33,512	1,195	977	45,962	132,448
Transfer to prepaid land lease payments	15	—	—	—	—	(6,534)	(6,534)
Transfer to other intangible assets	17	—	—	—	—	(49,587)	(49,587)
Disposals		(19,444)	(88,649)	(8,371)	(29,245)	—	(145,709)
Depreciation provided	6	(331,185)	(809,566)	(55,673)	(129,716)	—	(1,326,140)
Impairment	6	—	(20,736)	—	—	—	(20,736)
Exchange realignment		(1,456)	(6,794)	(8)	(13)	(684)	(8,955)
At 31 December 2011, net of accumulated depreciation and impairment		8,629,711	8,131,349	343,437	715,683	3,554,151	21,374,331
At 31 December 2011:							
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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

31 December 2010 (Restated)

	Note	**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*
At 1 January 2010:							
Cost		6,584,268	7,739,255	634,750	1,062,589	2,663,780	18,684,642
Accumulated depreciation and impairment		(1,459,798)	(2,843,181)	(372,100)	(474,842)	(1,318)	(5,151,239)
Net carrying amount		5,124,470	4,896,074	262,650	587,747	2,662,462	13,533,403
At 1 January 2010, net of accumulated depreciation and impairment		5,124,470	4,896,074	262,650	587,747	2,662,462	13,533,403
Additions		207,167	405,868	109,198	79,115	4,061,267	4,862,615
Transfer from construction in progress		2,070,197	2,057,997	59,302	154,449	(4,341,945)	—
Disposals		(40,625)	(84,502)	(26,978)	(2,544)	(8,744)	(163,393)
Depreciation provided	6	(248,176)	(669,861)	(47,330)	(129,458)	—	(1,094,825)
Impairment	6	(9,823)	(17,666)	(165)	(816)	(576)	(29,046)
Exchange realignment		(27)	(4,137)	(16)	(2)	(4,053)	(8,235)
At 31 December 2010, net of accumulated depreciation and impairment		7,103,183	6,583,773	356,661	688,491	2,368,411	17,100,519
At 31 December 2010:							
Cost		8,799,671	9,995,035	747,088	1,237,411	2,368,987	23,148,192
Accumulated depreciation and impairment		(1,696,488)	(3,411,262)	(390,427)	(548,920)	(576)	(6,047,673)
Net carrying amount		7,103,183	6,583,773	356,661	688,491	2,368,411	17,100,519

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

31 December 2011

	Computer equipment and others *RMB'000*
At 1 January 2011:	
Cost	**31,837**
Accumulated depreciation and impairment	**(16,959)**
Net carrying amount	**14,878**
At 1 January 2011, net of accumulated depreciation and impairment	**14,878**
Additions	**5,463**
Disposals	**(63)**
Depreciation provided	**(4,108)**
At 31 December 2011, net of accumulated depreciation and impairment	**16,170**
At 31 December 2011:	
Cost	**36,409**
Accumulated depreciation and impairment	**(20,239)**
Net carrying amount	**16,170**

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

31 December 2010

	Computer equipment and others *RMB'000*
At 1 January 2010:	
Cost	21,748
Accumulated depreciation and impairment	(14,420)
Net carrying amount	7,328
At 1 January 2010, net of accumulated depreciation and impairment	7,328
Additions	10,759
Disposals	(77)
Depreciation provided	(3,132)
At 31 December 2010, net of accumulated depreciation and impairment	14,878
At 31 December 2010:	
Cost	31,837
Accumulated depreciation and impairment	(16,959)
Net carrying amount	14,878

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, capitalisation rates ranging from 5.47% to 7.32% (2010: capitalisation rates ranging from 5.11% to 5.71%) have been applied to the expenditure on individual assets.

As at 31 December 2011, all of the Group's buildings are located in the PRC, except the buildings of RMB24,526,000 (2010: nil) 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	
		2011	2010 (Restated)
	Notes	***RMB'000***	*RMB'000*
Carrying amount at 1 January, net of accumulated amortisation		**3,978,622**	3,476,227
Additions		**507,324**	617,186
Transfer from construction in progress	14	**6,534**	—
Acquisition of subsidiaries	40	**30,820**	—
Disposals		**(22,422)**	(34,962)
Amortisation	6	**(95,872)**	(79,829)
Exchange realignment		**(941)**	—
Carrying amount at 31 December		**4,404,065**	3,978,622

The leasehold lands are held under medium term leases and are situated in the PRC.

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	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Cost, net of accumulated impairment:			
At beginning of year		**48,879**	52,544
Acquisition of subsidiaries	40	**7,580**	—
Exchange realignment		**(2,487)**	(3,665)
At end of year		**53,972**	48,879
Cost		**53,972**	48,879
Net carrying		**53,972**	48,879

Goodwill acquired through business combinations has been mainly allocated to an individual cash-generating unit ("CGU"), mainly represented by 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% (2010: 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% (2010: 2%).

Key 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 2011. 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 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 2011				
At 1 January 2011, net of accumulated amortisation and impairment		**209,977**	**199,214**	**409,191**
Additions		**50,425**	**47,741**	**98,166**
Transfer from construction in progress	14	**8,208**	**41,379**	**49,587**
Acquisition of subsidiaries	40	**11,189**	**52**	**11,241**
Disposals		**(778)**	**(244)**	**(1,022)**
Amortisation	6	**(51,008)**	**(64,593)**	**(115,601)**
Exchange realignment		**(560)**	**—**	**(560)**
At 31 December 2011, net of accumulated amortisation and impairment		**227,453**	**223,549**	**451,002**
At 31 December 2011:				
Cost		**656,572**	**386,648**	**1,043,220**
Accumulated amortisation and impairment		**(429,119)**	**(163,099)**	**(592,218)**
Net carrying amount		**227,453**	**223,549**	**451,002**
31 December 2010 (Restated)				
At 1 January 2010, net of accumulated amortisation and impairment		293,900	145,935	439,835
Additions		140,293	98,192	238,485
Disposals		(23,917)	(1,147)	(25,064)
Amortisation	6	(66,518)	(43,766)	(110,284)
Impairment	6	(131,628)	—	(131,628)
Exchange realignment		(2,153)	—	(2,153)
At 31 December 2010, net of accumulated amortisation and impairment		209,977	199,214	409,191
At 31 December 2010:				
Cost		589,062	302,091	891,153
Accumulated amortisation and impairment		(379,085)	(102,877)	(481,962)
Net carrying amount		209,977	199,214	409,191

17. OTHER INTANGIBLE ASSETS (CONTINUED)

Company

	Computer software *RMB'000*
31 December 2011	
At 1 January 2011, net of accumulated amortisation and impairment	**20,581**
Additions	**6,668**
Amortisation	**(5,064)**
At 31 December 2011, net of accumulated amortisation and impairment	**22,185**
At 31 December 2011:	
Cost	**30,302**
Accumulated amortisation and impairment	**(8,117)**
Net carrying amount	**22,185**
31 December 2010	
At 1 January 2010, net of accumulated amortisation and impairment	7,687
Additions	15,243
Amortisation	(2,349)
At 31 December 2010, net of accumulated amortisation and impairment	20,581
At 31 December 2010:	
Cost	23,633
Accumulated amortisation and impairment	(3,052)
Net carrying amount	20,581

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	RMB'000	*RMB'000*
Unlisted investments, at cost	**23,202,918**	22,883,666
Loans to subsidiaries	**279,000**	259,000
	23,481,918	23,142,666

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.

Particulars of the principal subsidiaries of the Company at 31 December 2011 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
CSR Zhuzhou Electric Locomotive Co., Ltd. 南車株洲電力機車有限公司	PRC 31 August 2005	RMB3,474,025,800	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	RMB793,356,334	99.6	—	Manufacturing, selling and repairing of locomotives
CSR Qingdao Sifang Locomotive and Rolling Stock Co., Ltd. 南車青島四方機車車輛股份有限公司	PRC 22 July 2002	RMB3,157,264,020	97.2	—	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	RMB2,436,710,000	100.0	—	Investment holding
CSR Sifang Rolling Stock 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	RMB300,000,000	100.0	—	Trading and investment holding
CSR Yangtze Rolling Stock Co., Ltd. 南車長江車輛有限公司	PRC 14 September 2006	RMB2,169,808,800	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	RMB1,250,000,000	100.0	—	Research and development of train-related products
CSR Shijiazhuang Rolling Stock Co., Ltd. 南車石家庄車輛有限公司	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	RMB342,771,941	100.0	—	Repairing locomotives and rolling stock

18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2011 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 Direct	Indirect	Principal activities
CSR Nanjing Puzhen Rolling Stock Co., Ltd. 南車南京浦鎮車輛有限公司	PRC 27 June 2007	RMB1,180,780,000	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
CSR Meishan Co., Ltd. 南車眉山車輛有限公司	PRC 28 June 2007	RMB299,008,600	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	RMB358,956,400	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	RMB961,392,757	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	—	Investment company
CSR Zhuzhou Electric Co., Ltd. 南車株洲電機有限公司	PRC 14 April 2004	RMB462,700,000	100.0	—	Manufacturing and selling of electric motors
Zhuzhou CSR Times Electric Co., Ltd. 株洲南車時代電氣股份有限公司	PRC 26 September2005	RMB1,084,255,637	—	56.2	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	RMB517,341,440	—	24.3	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 in the board of the directors of ZTNM and held 38.69% 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 2011. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2011	2010
		(Restated)
	RMB'000	*RMB'000*
Share of net assets	**1,509,695**	894,129

Particulars of the principal jointly-controlled entities of the Group as at 31 December 2011 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

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 jointly-controlled entities of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (CONTINUED)

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2011	2010 (Restated)
	RMB'000	*RMB'000*
Share of the jointly-controlled entities' net assets:		
Current assets	**6,538,126**	6,531,818
Non-current assets	**618,734**	478,350
Current liabilities	**(5,127,502)**	(6,015,841)
Non-current liabilities	**(519,663)**	(100,198)
Net assets	**1,509,695**	894,129
Share of the jointly-controlled entities' revenue and profit:		
Revenue	**2,736,564**	3,634,206
Expenses	**(1,997,617)**	(2,902,420)
Profit before tax	**738,947**	731,786
Tax	**(87,962)**	(134,290)
Profit after tax	**650,985**	597,496

20. INVESTMENTS IN ASSOCIATES

	Group		**Company**	
	2011	2010 (Restated)	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted equity investments, at cost	**—**	—	**200,000**	—
Share of net assets	**559,005**	214,953	**—**	—
	559,005	214,953	**200,000**	—

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the principal associates of the Group as at 31 December 2011 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	
Beijing Times Wharton Technology Co., Ltd. 北京時代沃頓科技有限公司	PRC 16 January 2007	RMB26,000,000	—	38.0	Manufacturing of chemical materials
Shijiazhuang Guoxiang Precision Machinery Co., Ltd. 石家庄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. 華能鐵岭風力發電有限公司	PRC 29 December 2009	RMB155,488,782	—	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. 華能鐵岭大興風力發電有限公司	PRC 28 June 2010	RMB48,815,105	—	25.0	Wind power generation
Guangzhou Electric Locomotive Co., Ltd. 廣州電力機車有限公司	PRC 1 March 2011	RMB430,000,000	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

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:

	2011	2010
		(Restated)
	RMB'000	*RMB'000*
Share of the associates' net assets:		
Current assets	**413,440**	468,988
Non-current assets	**690,632**	295,737
Current liabilities	**(351,908)**	(453,421)
Non-current liabilities	**(171,887)**	(87,262)
Non-controlling interests	**(21,272)**	(9,089)
Net assets	**559,005**	214,953
Share of the associates' revenue and profit:		
Revenue	**435,982**	1,391,901
Expenses	**(410,154)**	(1,370,624)
Profit before tax	**25,828**	21,277
Tax	**(8,909)**	(6,223)
	16,919	15,054
Non-controlling interests	**130**	(756)
Profit after tax	**17,049**	14,298

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group		**Company**	
	2011	2010	**2011**	2010
		(Restated)		
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted equity investments, at cost less impairment	**27,078**	23,033	**678**	678
Listed equity investments, in the PRC, at fair value	**244,204**	2,565	**—**	—
	271,282	25,598	**678**	678

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB76,782,000 (2010: RMB2,866,000), of which nil (2010: RMB2,417,000) was reclassified from other comprehensive income to profit or loss for the year.

21. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

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	
	2011	2010 (Restated)	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Investment prepayment	**46,478**	326,580	**22,430**	362,184
Land lease prepayment	**94,268**	132,929	**—**	—
Long-term prepaid expenses	**26,130**	21,247	**—**	—
Property, plant and equipment prepayments	**15,851**	34,244	**—**	—
Long-term receivables	**10,410**	8,569	**—**	—
	193,137	523,569	**22,430**	362,184

23. INVENTORIES

	Group	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
Cost, net of provision		
Raw materials	**6,409,783**	4,897,371
Work in progress	**7,003,274**	7,184,869
Finished goods	**4,428,934**	5,711,333
	17,841,991	17,793,573

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

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	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
Trade receivables	**14,231,452**	11,635,452
Impairment	**(542,036)**	(456,212)
	13,689,416	11,179,240

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	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
Within 6 months	**10,416,780**	9,052,152
6 months to 1 year	**2,281,885**	1,287,740
Over 1 year	**990,751**	839,348
	13,689,416	11,179,240

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

	Group	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
Neither past due nor impaired	**11,020,949**	9,645,736
Past due but not impaired		
— Less than 3 months past due	**539,255**	197,207
— 3 to 6 months past due	**74,894**	76,584
— Over 6 months past due	**7,902**	13,313
	11,643,000	9,932,840

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.

24. TRADE RECEIVABLES (CONTINUED)

The movements in provision for impairment of trade receivables are as follows:

		Group	
		2011	2010 (Restated)
	Note	***RMB'000***	*RMB'000*
At 1 January		**456,212**	351,646
Impairment loss recognised	6	**93,611**	124,864
Amount written off as uncollectible		**(7,730)**	(20,298)
Exchange realignment		**(57)**	—
At 31 December		**542,036**	456,212

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB91,700,000 (2010: RMB105,711,000) with a carrying amount before provision of RMB94,217,000 (2010: RMB224,214,000). 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.

	Group	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
Trade receivables denominated in:		
United States dollars	**254,797**	277,139
Hong Kong dollars	**—**	24,760
Euros	**132,228**	21,537
Canadian dollars	**—**	29,531
Australian dollars	**6,280**	9,061
Japanese yen	**4**	9,072
Great Britain pounds	**8,152**	—
Singapore dollars	**48,395**	—
Bangladeshi taka	**758**	—
	450,614	371,100

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

	Group	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
CSRG and its subsidiaries, excluding the Group (the "CSRG Group")	**72,400**	32,405
Jointly-controlled entities	**48,311**	167,508
Associates	**258,794**	—
	379,505	199,913

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	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
Within 6 months	**4,201,451**	1,720,935

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	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
Bank acceptance bills	**1,824,055**	1,379,154
Commercial acceptance bills	**2,377,396**	341,781
	4,201,451	1,720,935

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

	Group	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
CSRG Group	**12,000**	11,200

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	
	2011	2010 (Restated)	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Prepayments	**2,419,029**	3,047,340	**—**	—
Deposits and other receivables	**1,642,649**	1,932,350	**7,458,608**	6,658,856
	4,061,678	4,979,690	**7,458,608**	6,658,856

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

		Group	
		2011	2010 (Restated)
	Note	***RMB'000***	*RMB'000*
At 1 January		**117,056**	94,116
Impairment loss recognised	6	**35,114**	36,133
Written off		**(292)**	(13,193)
At 31 December		**151,878**	117,056

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

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

	Group		Company	
	2011	2010 (Restated)	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
CSRG Group	**30**	8,642	**—**	—
Jointly-controlled entities	**101,764**	39,386	**—**	—
Subsidiaries	**—**	—	**7,454,731**	5,901,247
	101,794	48,028	**7,454,731**	5,901,247

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	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
Listed equity investments, at market value		
Hong Kong	**8,561**	17,512
The PRC	**3,300**	—
	11,861	17,512

The above equity investments at 31 December 2011 were classified as held for trading. Fair value losses of RMB8,295,000 were recognised in profit or loss for the year ended 31 December 2011 (2010: RMB6,736,000).

28. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2011	**2010** (Restated)
	RMB'000	***RMB'000***
Assets		
Current assets:		
Forward currency contracts	**35,774**	—

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

CSR Zhuzhou Electric Locomotive Co., Ltd. and CSR Qingdao Sifang Locomotive and Rolling Stock Co., Ltd., the subsidiaries of the Group, entered into forward currency contracts with Bank of China to manage their exchange rate exposures, respectively. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of these non-hedging currency derivatives amounting to RMB35,774,000 were charged to profit or loss for the year.

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2011	2010 (Restated)	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank balances	**23,730,328**	14,540,603	**11,715,980**	4,594,774
Less : Pledged time deposits	**(637,847)**	(759,039)	**(4,348)**	(4,344)
Cash and cash equivalents in the consolidated statement of financial position	**23,092,481**	13,781,564	**11,711,632**	4,590,430
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(1,116,605)**	(62,697)		
Cash and cash equivalents in the consolidated statement of cash flows	**21,975,876**	13,718,867		
Cash and bank balances and time deposits denominated in				
— RMB	**22,992,094**	13,404,055	**11,613,215**	3,952,194
— United States dollars	**399,444**	507,400	**63,372**	394,371
— Hong Kong dollars	**141,968**	543,436	**39,215**	248,206
— Euros	**105,120**	56,646	**178**	3
— Canadian dollars	**91**	1,155	**—**	—
— Singapore dollars	**60,160**	17,839	**—**	—
— Other currencies	**31,451**	10,072	**—**	—
	23,730,328	14,540,603	**11,715,980**	4,594,774

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	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
Within 6 months	**19,557,231**	17,106,908
6 months to 1 year	**984,614**	429,204
Over 1 year	**697,150**	508,030
	21,238,995	18,044,142

The trade payables are non-interest-bearing and are normally settled on 6-month terms.

	Group	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
Trade payables denominated in:		
Japanese yen	**450,562**	82,802
United States dollars	**5,030**	31,178
Hong Kong dollars	**—**	562
Euros	**28,537**	17,316
Great Britain pounds	**6,048**	64
Australian dollars	**2,307**	—
Canadian dollars	**1,572**	7,494
Malaysian dollars	**11**	—
Bangladeshi taka	**6,390**	—
	500,457	139,416

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

	Group	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
CSRG Group	**6,766**	5,691
Jointly-controlled entities	**68,627**	166,739
	75,393	172,430

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:

	2011	2010
		(Restated)
	RMB'000	*RMB'000*
Within 6 months	**6,616,548**	6,925,713

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

	2011	2010
		(Restated)
	RMB'000	*RMB'000*
CSRG Group	**19,320**	11,354

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**	
	2011	2010	**2011**	2010
		(Restated)		
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other payables	**3,016,537**	1,852,254	**5,963,180**	7,115,351
Advances from customers	**7,408,657**	8,163,821	**—**	—
Accruals	**1,554,571**	1,115,256	**196,333**	86,368
	11,979,765	11,131,331	**6,159,513**	7,201,719

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

	2011	2010
		(Restated)
	RMB'000	*RMB'000*
CSRG Group	**541,229**	344,876
Jointly-controlled entities	**391,476**	100,930
	932,705	445,806

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

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2011			2010		
	Effective interest rate per annum (%)	**Maturity**	***RMB'000***	Effective interest rate per annum (%)	Maturity	*RMB'000* (Restated)
Current						
Bank loans						
— Secured	**3.49-9.00**	**2012**	**1,494,917**	2.28-5.56	2011	1,177,705
— Unsecured	**1.84-8.10**	**2012**	**8,392,562**	0.36-5.81	2011	4,083,710
Short term bonds						
— Secured	**4.73**	**2012**	**500,000**	—	—	—
— Unsecured	**4.77-5.38**	**2012**	**5,500,000**	3.18	2011	500,000
Other loans						
— Unsecured	**6.00**	**2012**	**1,690**	—	—	—
Current portion of long term bank loans						
— Secured	**1.89-6.98**	**2012**	**39,176**	3.23-6.56	2011	751
— Unsecured	**4.86-5.27**	**2012**	**160,778**	5.27	2011	778
Current portion of long term bonds						
— Unsecured	**4.18**	**2012**	**2,000,000**	—	—	—
Current portion of other loans						
— Unsecured	**0.30**	**2012**	**10,000**	interest-free-6.00	2011	49,814
			18,099,123			5,812,758
Non-current						
Bank loans						
— Secured	**0.2-6.98**	**2013-2035**	**270,013**	0.20-6.56	2012-2035	16,022
— Unsecured	**interest-free-6.88**	**2013-2015**	**50,084**	interest-free-5.27	2012-2019	172,702
Long term bond						
— Unsecured	**4.08**	**2013**	**2,000,000**	4.08-4.18	2012-2013	4,000,000
Other loans						
— Secured	**6.94**	**2014**	**5,000**	6.40	2014	5,000
— Unsecured	**—**	**—**	**—**	0.30	2012	10,000
			2,325,097			4,203,724
			20,424,220			10,016,482

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

Company

	2011			2010		
	Effective interest rate per annum (%)	**Maturity**	***RMB'000***	Effective interest rate per annum (%)	Maturity	*RMB'000*
Current						
Bank loans						
— Unsecured	**4.51-7.22**	**2012**	**4,910,000**	3.51-5.81	2011	2,380,000
Short term bonds						
— Unsecured	**5.06-5.38**	**2012**	**5,000,000**	—	—	—
Current portion of long term bank loans						
— Unsecured	**5.13**	**2012**	**100,000**	—	—	—
Current portion of long term bonds						
— Unsecured	**4.18**	**2012**	**2,000,000**	—	—	—
			12,010,000			2,380,000
Non-current						
Bank loans						
— Unsecured	**—**	**—**	**—**	5.13	2012	100,000
Long term bonds						
— Unsecured	**4.08**	**2013**	**2,000,000**	4.08-4.18	2012-2013	4,000,000
			2,000,000			4,100,000
			14,010,000			6,480,000

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

	Group		Company	
	2011	2010 (Restated)	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**10,087,433**	5,262,944	**5,010,000**	2,380,000
In the second year	**96,064**	161,602	**—**	—
In the third to fifth years, inclusive	**215,766**	18,433	**—**	100,000
Beyond five years	**8,267**	8,689	**—**	—
	10,407,530	5,451,668	**5,010,000**	2,480,000
Short term bonds repayable:				
Within one year or on demand	**6,000,000**	500,000	**5,000,000**	—
Long term bonds repayable:				
Within one year or on demand	**2,000,000**	—	**2,000,000**	—
In the second year	**2,000,000**	2,000,000	**2,000,000**	2,000,000
In the third to fifth years, inclusive	**—**	2,000,000	**—**	2,000,000
	4,000,000	4,000,000	**4,000,000**	4,000,000
Other borrowings repayable:				
Within one year or on demand	**11,690**	49,814	**—**	—
In the second year	**—**	10,000	**—**	—
In the third to fifth years, inclusive	**5,000**	5,000	**—**	—
	16,690	64,814	**—**	—

The amounts due to the related parties of the Group included in interest-bearing bank and other borrowings can be analysed as follows:

	Group	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
CSRG Group	**—**	33,000

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

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

	Group		Company	
	2011	2010 (Restated)	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Property, plant and equipment	**103,430**	71,493	**—**	—
Prepaid land lease payments	**106,794**	24,592	**—**	—
Time deposits and bank balances	**5,837**	8,364	**—**	—
Inventories	**—**	6,520	**—**	—
Bills receivable	**173,600**	—	**—**	—
Trade receivables	**564,880**	623,970	**—**	—
	954,541	734,939	**—**	—

Interest-bearing bank and other borrowings denominated in:

	Group	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
Euros	**17,886**	—
United States dollars	**284,886**	88,330
Great British pounds	**60,251**	3,071
Hong Kong dollars	**315,245**	—
Japanese yen	**—**	74,311
	678,268	165,712

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	
	2011	2010 (Restated)	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At beginning of the year	**1,945,640**	2,162,780	**16,160**	17,405
Interest cost recognised in administrative expenses	**(58,290)**	(8,630)	**560**	435
Amount paid	**(168,250)**	(208,510)	**(2,900)**	(1,680)
At the end of year	**1,719,100**	1,945,640	**13,820**	16,160

34. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

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

	Group		Company	
	2011	2010 (Restated)	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Present value of unfunded obligations	**1,632,040**	1,946,510	**18,940**	15,090
Unrecognised net actuarial gain	**87,060**	(870)	**(5,120)**	1,070
Defined benefit liabilities recognised	**1,719,100**	1,945,640	**13,820**	16,160
Portion classified as current liabilities	**(150,070)**	(170,189)	**(1,860)**	(1,530)
Non-current portion	**1,569,030**	1,775,451	**11,960**	14,630

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

	Group	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
Interest cost	**(58,290)**	(8,630)

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:

	2011	2010
	%	%
Discount rate adopted	**3.50%**	4.00%
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	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
Increase in effect on interest cost	**940**	2,850
Decrease in effect on interest cost	**(810)**	(2,400)
Increase in effect on the defined benefit obligations	**26,880**	71,330
Decrease in effect on the defined benefit obligations	**(23,140)**	(59,950)

35. PROVISION FOR WARRANTIES

		Group	
		2011	2010 (Restated)
	Note	***RMB'000***	*RMB'000*
At beginning of year		**708,445**	359,819
Charged for the year	6	**956,229**	705,438
Utilised during the year		**(530,308)**	(356,812)
At end of year		**1,134,366**	708,445
Portion classified as:			
Current liabilities		**400,920**	296,749
Non-current liabilities		**733,446**	411,696

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

		Group		Company	
		2011	2010 (Restated)	**2011**	2010
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
At beginning of year		**804,224**	597,901	**—**	—
Received during the year		**570,150**	580,320	**—**	—
Acquisition of subsidiaries	40	**793**	—	**—**	—
Recognised as other income and gains during the year	5	**(405,499)**	(373,997)	**—**	—
At end of year		**969,668**	804,224		—
Current portion		**(209,157)**	(132,684)	**—**	—
Non-current portion		**760,511**	671,540	**—**	—

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 recognising the share option scheme for the year ended 31 December 2011 is as follows:

	2011
	RMB'000
Equity-settled share option expense	**36,066**

In March 2011, the Company submitted a share option scheme to the China Securities Regulatory Commission, and there was no dissent. On 26 April 2011, the share option scheme was approved by the 2011 first extraordinary general meeting. Then the Company adopted an A share share option scheme (the 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 effect on the performance and continuing development of the Group.

37 SHARE OPTION SCHEME (CONTINUED)

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 doesn't 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 fulfillment 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.

The fair value of the share options granted in 2011 is RMB151,010,000 of which the Group recognised a share options expense of RMB36,066,000 during the year ended 31 December 2011.

The fair value of share options granted is estimated at the date of the grant using a 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:

	2011
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 at 31 December 2011, there are no excised or expired share options. On 31 December 2011, the expiry dates of the un-exercised share options vary from five years to seven years after the grant date.

38. EQUITY

Share capital

	Company			
	2011		2010	
	RMB'000		*RMB'000*	
	Number of shares	**Nominal value**	Number of shares	Nominal value
Registered and fully paid				
— State-owned shares of RMB1.00 each	**6,516,000,000**	**6,516,000**	6,520,285,714	6,520,286
— A shares of RMB1.00 each	**3,300,000,000**	**3,300,000**	3,295,714,286	3,295,714
— H shares of RMB1.00 each	**2,024,000,000**	**2,024,000**	2,024,000,000	2,024,000
	11,840,000,000	**11,840,000**	11,840,000,000	11,840,000

During the prior year, 300,000,000 shares held by state-owned shareholders of the Company are requested to be transferred to the PRC National Council for Social Security Fund ("NSSF") for the reduction in state-owned shares. As at 31 December 2009, 295,714,286 shares held by CSRG had been transferred to NSSF. As at 31 December 2011, the remaining 4,285,714 shares held by CSR Capital Company (formerly named as Beijing Railway Industry Trade Company) has been transferred to NSSF. As at 31 December 2011, CSRG had bought 2,800,000 shares from the A share market.

Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Equity movements

				Company			
	Share capital	**Capital reserve**	**Share option reserve**	**Common statutory reserve fund**	**Retained profits**	**Proposed final dividends**	**Total**
	RMB'000	***RMB'000***		***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
At 1 January 2010	11,840,000	7,222,642	—	149,754	495,307	473,600	20,181,303
Profit for the year	—	—	—	—	1,389,035	—	1,389,035
Transfer from profit	—	—	—	138,904	(138,904)	—	—
Dividends distributed to the shareholders	—	—	—	—	—	(473,600)	(473,600)
Proposed final 2010 dividend	—	—	—	—	(473,600)	473,600	—
At 31 December 2010	11,840,000	7,222,642	—	288,658	1,271,838	473,600	21,096,738
Profit for the year	—	—	—	—	2,075,432	—	2,075,432
Transfer from profit	—	—	—	207,543	(207,543)	—	—
Dividends distributed to the shareholders	—	—	—	—	—	(473,600)	(473,600)
Equity-settled share option arrangement	—	—	36,066	—	—	—	36,066
Proposed final 2011 dividend	—	—	—	—	(2,484,540)	2,484,540	—
At 31 December 2011	11,840,000	7,222,642	36,066	496,201	655,187	2,484,540	22,734,636

39. BUSINESS COMBINATION UNDER COMMON CONTROL

For the business combinations under common control, the financial information of the Group and the acquired businesses have been combined, as if the Group acquired these businesses from the beginning of the earliest financial period presented. The net assets of the Group and the acquired business are combined using the carrying values reported at the level of the financial statements of the combining entities.

On 31 March 2011, CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. ("Zhuzhou Institute"), the subsidiary of the Group, signed an agreement with CSR Group Luoyang Locomotive Factory, the subsidiary of the ultimate holding company, to acquire an 84.38% equity interest in Xiangyang CSR Electric Machinery Technology Co., Ltd. ("XE"), which is mainly engaged in the manufacture and sale of electric motors, at a cash consideration of RMB50,551,000. On 13 June 2011, Zhuzhou Institute appointed three directors to participate in the business management of XE and control its operations. After that XE completed the relevant industrial and commercial registration on 27 June 2011, and Zhuzhou Institute paid the consideration on 28 June 2011, therefore the combination date was determined as 28 June 2011. No significant adjustments were made to the net assets and net loss of XE as a result of the common control combination to achieve consistency of accounting policies. The Group has applied merger accounting to account for the business combination under common control. Accordingly, XE has been combined since 1 January 2010, the earliest financial period presented, as if the acquisition had occurred at that time.

The reconciliation of the effect arising from the common control combination on the operating results for the year ended 31 December 2011 and 2010 is as follows:

2011

	The Group excluding XE *RMB'000*	XE *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Operating profit				
Revenue	**79,264,271**	**304,837**	**(52,150)**	**79,516,958**
Profit before tax	**5,440,184**	**1,943**	**—**	**5,442,127**
Profit for the year	**4,741,549**	**1,691**	**—**	**4,743,240**

2010

	The Group excluding XE *RMB'000*	XE *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Operating profit				
Revenue	63,912,435	255,551	(35,587)	64,132,399
Profit before tax	3,665,453	(5,667)	—	3,659,786
Profit for the year	3,249,971	(6,086)	—	3,243,885

39. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

The reconciliation of the effect arising from the common control combination on the consolidated statements of financial position as at 31 December 2011 and 2010 is as follows:

31 December 2011

	The Group excluding XE *RMB'000*	XE *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Assets and liabilities				
Current assets	**63,447,091**	**174,769**	**(14,516)**	**63,607,344**
Non-current assets	**29,194,646**	**34,952**	**(50,551)**	**29,179,047**
Current liabilities	**(59,032,813)**	**(166,635)**	**14,516**	**(59,184,932)**
Non-current liabilities	**(5,499,982)**	**(13,560)**	**—**	**(5,513,542)**
Net assets	**28,108,942**	**29,526**	**(50,551)**	**28,087,917**
Equity				
Equity attributable to owners of the parent	**(22,587,267)**	**(29,526)**	**55,163**	**(22,561,630)**
Non-controlling interests	**(5,521,675)**	**—**	**(4,612)**	**(5,526,287)**
	(28,108,942)	**(29,526)**	**50,551**	**(28,087,917)**

31 December 2010

	The Group excluding XE *RMB'000*	XE *RMB'000*	Adjustments *RMB'000*	Consolidated *RMB'000*
Assets and liabilities				
Current assets	50,124,202	158,077	(4,530)	50,277,749
Non-current assets	23,441,469	41,324	—	23,482,793
Current liabilities	(42,662,356)	(157,266)	4,530	(42,815,092)
Non-current liabilities	(7,062,565)	(14,301)	—	(7,076,866)
Net assets	23,840,750	27,834	—	23,868,584
Equity				
Equity attributable to owners of the parent	(19,244,185)	(27,834)	4,347	(19,267,672)
Non-controlling interests	(4,596,565)	—	(4,347)	(4,600,912)
	(23,840,750)	(27,834)	—	(23,868,584)

The above adjustments represent adjustments to eliminate the paid-up capital of XE against the Group's investment cost in XE, and transactions and current accounts among XE and the Group as at 31 December 2011 and 2010, respectively.

40. BUSINESS COMBINATION

On 31 March 2011, CSR Ziyang Locomotive Co., Ltd., a subsidiary of the Company, acquired a 45% equity interest in CSR Yuchai, which is mainly engaged in the manufacture and sale of engines, from third parties at a cash consideration of RMB32,040,000.

On 28 February 2011, ZTNM a subsidiary of the Company, acquired 100% equity interest in Delkor Rail Pty Ltd ("Delkor"), which is mainly engaged in the manufacture and sale of railway transportation products, from third parties at a cash consideration of RMB22,803,000.

The fair values of the identifiable assets and liabilities of the above acquired subsidiaries as at the date of acquisition were as follows:

		Fair value recognised on acquisition		
		CSR Yuchai	**Delkor**	**Total**
	Notes	***RMB'000***	***RMB'000***	***RMB'000***
Property, plant and equipment	14	**131,577**	**871**	**132,448**
Prepaid land lease payments	15	**30,820**	**—**	**30,820**
Other intangible assets	17	**52**	**11,189**	**11,241**
Deferred tax assets	10	**—**	**897**	**897**
Inventories		**122,305**	**6,550**	**128,855**
Trade receivables		**61,369**	**8,699**	**70,068**
Bills receivable		**6,200**	**—**	**6,200**
Prepayments, deposits and other receivables		**12,403**	**653**	**13,056**
Tax recoverable		**2,871**	**—**	**2,871**
Cash and cash equivalents		**55,170**	**5,023**	**60,193**
Interest-bearing bank and other borrowings		**(114,196)**	**—**	**(114,196)**
Government grants	36	**(793)**	**—**	**(793)**
Deferred tax liabilities		**—**	**(3,357)**	**(3,357)**
Other non-current liabilities		**—**	**(933)**	**(933)**
Trade payables		**(219,080)**	**(7,360)**	**(226,440)**
Bills payable		**(13,285)**	**—**	**(13,285)**
Other payables and accruals		**(12,749)**	**(2,647)**	**(15,396)**
Tax payable		**—**	**(521)**	**(521)**
Non-controlling interests		**(34,465)**	**—**	**(34,465)**
Net assets		**28,199**	**19,064**	**47,263**
Goodwill arising on acquisition	16	**3,841**	**3,739**	**7,580**
		32,040	**22,803**	**54,843**
Satisfied by:				
Cash		**32,040**	**22,803**	**54,843**

40. BUSINESS COMBINATION (CONTINUED)

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

	CSR Yuchai *RMB'000*	Delkor *RMB'000*	Total *RMB'000*
Cash consideration	**(32,040)**	**(22,803)**	**(54,843)**
Cash and bank balance acquired	**55,170**	**5,023**	**60,193**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**23,130**	**(17,780)**	**5,350**
Transaction costs of the acquisition included in cash flows from operating activities	**(200)**	**(2,432)**	**(2,632)**
	22,930	**(20,212)**	**2,718**

The fair value of the trade receivables amounts to RMB70,068,000. The gross amount of trade receivables is RMB70,068,000. None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected.

From the date of acquisition, CSR Yuchai and Delkor have contributed RMB1,011,286,000 of revenue and RMB19,551,000 to the profit after tax of the Group. If the consolidation 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 RMB79,639,004,000 and RMB4,748,345,000 respectively.

The goodwill recognised above is attributed to the expected synergies and other benefits from combining the assets and activities of CSR Yuchai and Delkor with those of the Group. None of the recognised goodwill is expected to be deductible for income tax purposes.

The transaction costs of RMB2,632,000 have been expensed and are included in administrative expenses in the income statement and are part of operating cash flows in the statement of cash flows.

41. 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 19 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:

	2011 *RMB'000*	2010 (Restated) *RMB'000*
Within one year	**28,536**	16,619
In the second to fifth years, inclusive	**45,961**	18,294
More than five years	**128,166**	4,947
	202,663	39,860

41. COMMITMENTS (CONTINUED)

OPERATING LEASE COMMITMENTS (Continued)

(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 12 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:

	2011 ***RMB'000***	2010 (Restated) *RMB'000*
Within one year	**17,174**	26,365
In the second to fifth years, inclusive	**52,814**	69,737
More than five years	**26,544**	51,711
	96,532	147,813

CAPITAL COMMITMENTS

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

	2011 ***RMB'000***	2010 (Restated) *RMB'000*
Contracted, but not provided for:		
— Property, plant and equipment	**1,493,013**	774,753
— Prepaid land lease payments	**38,808**	—
— Other intangible assets	**18,834**	7,020
— Investment in setting up new entities *(Note)*	**910,000**	1,660,000
	2,460,655	2,441,773
Authorised, but not contracted for:		
— Property, plant and equipment	**2,135,977**	484,908
— Other intangible assets	**8,300**	9,530
	2,144,277	494,438

Note: Included the Company's investment of RMB910,000,000 in CSR Finance Co., Ltd., an entity to be established by the Company and CSRG.

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

	2011 ***RMB'000***	2010 (Restated) *RMB'000*
Contracted, but not provided for:		
— Property, plant and equipment	**29,585**	93,084

42. CONTINGENT LIABILITIES

As at 31 December 2011 and 2010, 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	
	2011	2010
	RMB'000	*RMB'000*
Guarantees given to banks in connection with facilities granted to:		
Subsidiaries	**5,236,065**	12,946,483

As at 31 December 2011, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately RMB5,026,065,000 (2010: RMB2,886,598,000).

43. 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	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
(a) Purchases of materials and components from:		
CSRG Group*	**94,175**	119,740
Jointly-controlled entities	**678,478**	946,101
An associate	**10,304**	33,855
	782,957	1,099,696
(b) Sale of goods to:		
CSRG Group*	**130,356**	85,593
Jointly-controlled entities	**421,805**	632,103
Associates	**558,044**	89,786
	1,110,205	807,482
(c) Provision of services to:		
CSRG Group*	**7,031**	8,329
An jointly-controlled entity	**20,459**	13,379
	27,490	21,708
(d) Rental of property, plant and equipment from:		
CSRG Group*	**18,783**	13,070

43. RELATED PARTY TRANSACTIONS (CONTINUED)

	Group	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
(e) Compensation of key management personnel of the Group:		
Short term employee benefits	**7,344**	6,164
Post-employment benefits	**294**	164
Total compensation paid/payable to key management personnel	**7,638**	6,328
Number of share options to key management personnel	**1,400,000**	—

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' emoluments are included in note 8 to the financial statements.

As at April 27, 2011, the Company granted 1,400,000 A share options to key management personnel, and the related expense recognised in 2011 is RMB1,379,000.

(f) Commitments with related parties:

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

	2011
	RMB'000
Sale of goods to:	
Jointly-controlled entities	**817,634**
CSRG Group	**3,549**
	821,183
Purchase of materials and components from:	
Jointly-controlled entities	**110,241**
CSRG Group	**11,087**
	121,328

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

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organisations (collectively the "State-owned Entities"). During the period, the Group enters into extensive transactions with these State-owned Entities including, but not limited to, sales and purchases. As explained in note 4 to financial statements, the Ministry of Railways and entities invested and managed by local railway departments are identified as a single State-owned Entity by the directors of the Company, the revenue from the State-owned Entity amounted to RMB43,859,179,000 for the year ended 31 December 2011 (2010: RMB37,341,280,000).

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.

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

44. 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 2011

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	—	271,282	—	271,282
Financial assets at fair value through profit or loss	—	—	11,861	11,861
Derivative financial instruments	—	—	35,774	35,774
Trade receivables	13,689,416	—	—	13,689,416
Bills receivable	4,201,451	—	—	4,201,451
Financial assets included in prepayments, deposits and other receivables	1,362,195	—	—	1,362,195
Pledged deposits	637,847	—	—	637,847
Cash and cash equivalents	23,092,481	—	—	23,092,481
Financial assets included in other non-current assets	10,410	—	—	10,410
	42,993,800	271,282	47,635	43,312,717

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	21,238,995
Bills payable	6,616,548
Financial liabilities included in other payables and accruals	3,313,138
Financial liabilities included in other non-current liabilities	—
Interest-bearing bank and other borrowings	20,424,220
	51,592,901

As at 31 December 2011

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)*	279,000	—	279,000
Financial assets included in prepayments, deposits and other receivables	7,458,575	—	7,458,575
Pledged deposits	4,348	—	4,348
Cash and cash equivalents	11,711,632	—	11,711,632
	19,453,555	678	19,454,233

44. 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 2011 (Continued)

Financial liabilities

	Company liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals	**6,140,650**
Interest-bearing bank and other borrowings	**14,010,000**
	20,150,650

As at 31 December 2010 (Restated)

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	—	25,598	—	25,598
Financial assets at fair value through profit or loss	—	—	17,512	17,512
Trade receivables	11,179,240	—	—	11,179,240
Bills receivable	1,720,935	—	—	1,720,935
Financial assets included in prepayments, deposits and other receivables	1,362,438	—	—	1,362,438
Pledged deposits	759,039	—	—	759,039
Cash and cash equivalents	13,781,564	—	—	13,781,564
Financial assets included in other non-current assets	8,569	—	—	8,569
	28,811,785	25,598	17,512	28,854,895

Financial liabilities

	Financial liabilities at amortised cost (Restated) *RMB'000*
Trade payables	18,044,142
Bills payable	6,925,713
Financial liabilities included in other payables and accruals	2,008,400
Financial liabilities included in other non-current liabilities	1,556
Interest-bearing bank and other borrowings	10,016,482
	36,996,293

44. 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 2010

		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)*	259,000	—	259,000
Financial assets included in prepayments, deposits and other receivables	6,658,856	—	6,658,856
Pledged deposits	4,344	—	4,344
Cash and cash equivalents	4,590,430	—	4,590,430
	11,512,630	678	11,513,308

Financial assets

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals	7,194,731
Interest-bearing bank and other borrowings	6,480,000
	13,674,731

45. 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:

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 are RMB20,424,220,000 (2010: RMB10,016,482,000) and RMB20,371,095,000 (2010: RMB9,999,792,000), respectively. The carrying amounts and fair values of the Company's interest-bearing bank and other borrowings are RMB14,010,000,000 (2010: RMB6,480,000,000) and RMB13,982,346,000 (2010: RMB6,474,784,000), respectively.

45. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

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)

Financial assets measured at fair value:

Group

As at 31 December 2011

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Available-for-sale investments:				
Equity investments	**244,204**	**—**	**—**	**244,204**
Derivative financial instruments:				
Forward currency contracts	**35,774**	**—**	**—**	**35,774**
Equity investments at fair value through profit or loss	**11,861**	**—**	**—**	**11,861**
	291,839	**—**	**—**	**291,839**

As at 31 December 2010

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Available-for-sale investments:				
Equity investments	2,565	—	—	2,565
Equity investments at fair value through profit or loss	17,512	—	—	17,512
	20,077	—	—	20,077

During the years ended 31 December 2011 and 2010, 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 2011 and 2010, the Company did not hold any financial instruments measured at fair value.

46. 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 balance, 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.

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 liability to dispose of financial assets promptly, or arise from the counterparty who cannot repay its contracted debt obligations, or arise from liability to generate the expected cash flows.

The Group's objective is 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.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

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 2011

	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	**18,493,234**	**2,121,191**	**237,154**	**8,564**	**20,860,143**
Trade payables	**21,238,995**	**—**	**—**	**—**	**21,238,995**
Bills payable	**6,616,548**	**—**	**—**	**—**	**6,616,548**
Financial liabilities included in other payables and accruals	**3,313,138**	**—**	**—**	**—**	**3,313,138**
	49,661,915	**2,121,191**	**237,154**	**8,564**	**52,028,824**

As at 31 December 2010 (Restated)

	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	5,996,844	2,339,754	2,105,776	9,021	10,451,395
Trade payables	18,044,142	—	—	—	18,044,142
Bills payable	6,925,713	—	—		6,925,713
Financial liabilities included in other payables and accruals	2,008,400	—	—	—	2,008,400
Financial liabilities included in other non-current liabilities	—	1,556	—	—	1,556
	32,975,099	2,341,310	2,105,776	9,021	37,431,206

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

Interest rate risk means the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

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

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** ***RMB'000***
Year ended 31 December 2011	**100**	**(54,418)**
	(100)	**54,418**
Year ended 31 December 2010 (restated)	100	(22,938)
	(100)	22,938

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.

46. 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 2011		
If Renminbi strengthens against Euro	**18.0**	**34,141**
If Renminbi weaken against Euro	**(18.0)**	**(34,141)**
If Renminbi strengthens against US dollar	**4.6**	**15,803**
If Renminbi weaken against US dollar	**(4.6)**	**(15,803)**

	Group	
	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2010 (Restated)		
If Renminbi strengthens against Euro	15.0	9,316
If Renminbi weaken against Euro	(15.0)	(9,316)
If Renminbi strengthens against US dollar	3.1	20,498
If Renminbi weaken against US dollar	(3.1)	(20,498)

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.

46. 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 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 2011 and 2010 were as follows:

	Group As at 31 December	
	2011	2010 (Restated)
	RMB'000	*RMB'000*
Interest-bearing bank and other borrowings	**20,424,220**	10,016,482
Trade payables	**21,238,995**	18,044,142
Bills payable	**6,616,548**	6,925,713
Other payables and accruals	**11,979,765**	11,131,331
Less: Cash and cash equivalents and pledged deposits	**(23,730,328)**	(14,540,603)
Net debt	**36,529,200**	31,577,065
Total capital	**22,561,630**	19,267,672
Capital and net debt	**59,090,830**	50,844,737
Gearing ratio	**62%**	62%

47. EVENTS AFTER THE REPORTING PERIOD

On 11 January 2012, the application of the non-public offering of A shares of the Company was approved by the Public Offering Review Committee of China Securities Regulatory Commission ("CSRC"). On 23 February 2012, the Company received *The Reply Letter in Relation to the Approval on the Non-public Issue of Shares by CSR Corporation Limited* (Zheng Jian Xu Ke [2012] No. 210) from CSRC, which granted the approval on the non-public issue of not more than 1,963 million A shares by the Company to not more than ten target subscribers, including CSRG. On 15 March 2012, the Company completed share registration in relation to the non-public issue of A shares with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The gross amount of proceeds from the non-public issue of A shares is RMB8,754,980,000.

48. COMPARATIVE AMOUNTS

Comparative figures have been adjusted to apply merger accounting for the business combination under common control, as explained in note 39. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2012.

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)
"Company Law"	the Company Law of the People's Republic of China
"CRGL"	China Railway Group Limited (中國中鐵股份有限公司)
"CSR Chengdu"	CSR Chengdu Locomotive & Rolling Stock Co., Ltd. (南車成都機車車輛有限公司)
"CSR Electric"	CSR Zhuzhou Electric Co., Ltd. (南車株洲電機有限公司)
"CSR Erqi"	CSR Erqi Co., Ltd. (南車二七車輛有限公司)
"CSR Hong Kong"	CSR (Hong Kong) Company Limited (中國南車(香港)有限公司)
"CSR Luoyang"	CSR Luoyang Locomotive Co., Ltd. (南車洛陽機車有限公司)
"CSR Luoyang Works"	CSR Luoyang Electric Locomotive Works (中國南車集團洛陽機車廠)
"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 Xiangfan Motor"	CSR Xiangfan Traction Motor Co., Ltd. (中國南車集團襄樊牽引電機有限公司), now known as Xiangyang CSR Electric Machinery Technology Co., Ltd.
"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

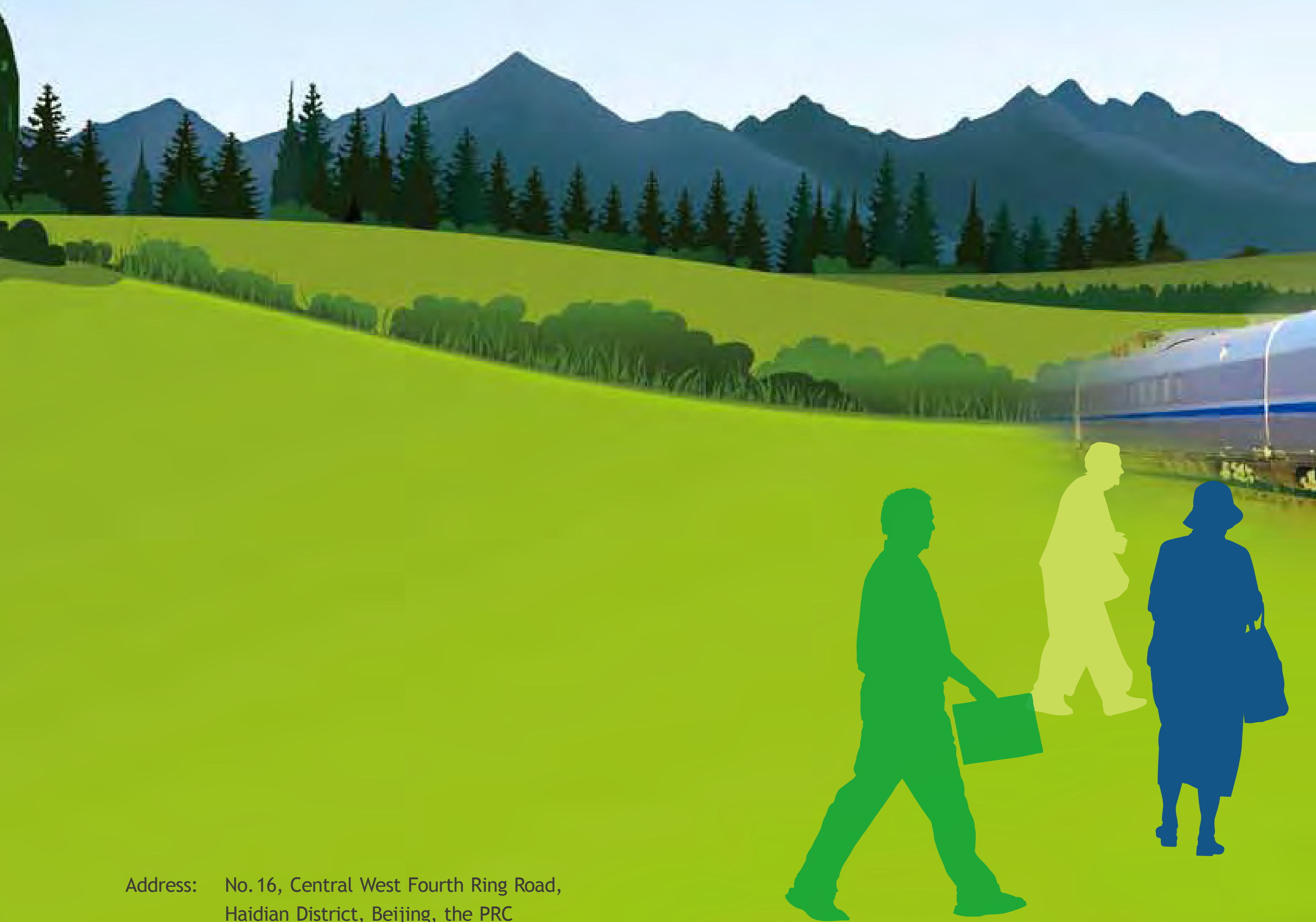
"CSRG"	CSR Group (中國南車集團公司)
"CSR Capital Company"	CSR Capital Company
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Jilin Midas"	Jilin Midas Aluminum Industries Co. Ltd. (吉林麥達斯鋁業有限公司)
"KTK"	KTK Group Co., Ltd. (今創集團有限公司)
"KYB"	KYB Corporation, formerly known as Kayaba Industry Co., Ltd.
"Ministry of Railways"	the 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
"SAFE"	the State Administration of Foreign Exchange of the People's Republic of China
"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)
"South Huiton"	South Huiton Co., Ltd. (南方匯通股份有限公司)
"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)
"Xi'an Kaitian"	Xi'an Kaitian Railway Traction Electric Apparatus Co., Ltd. (西安開天鐵路牽引電器有限公司)
"projects funded by proceeds"	the investment projects funded by IPO proceeds of the Company

Basic Information of the Company

CHINESE NAME	中國南車股份有限公司
ENGLISH NAME	CSR Corporation Limited (the “Company”, “CSR”, the Company and its subsidiaries collectively referred as the “Group”)
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	Zhao Xiaogang
EXECUTIVE DIRECTORS	Zhao Xiaogang, Zheng Changhong Tang Kelin, Liu Hualong
INDEPENDENT NON-EXECUTIVE DIRECTORS	Zhao Jibin, Yang Yuzhong Chen Yongkuan, Dai Deming Tsoi, David
AUTHORIZED REPRESENTATIVES	Liu Hualong, Wong Kai Yan,Thomas
JOINT COMPANY SECRETARIES	Shao Renqiang, Wong Kai Yan,Thomas
SECRETARY TO THE BOARD	Shao Renqiang
SECURITIES REPRESENTATIVE	Zheng Sheng
TELEPHONE FOR INFORMATION INQUIRY	(8610) 5186 2188
FAX	(8610) 6398 4785
WEBSITE	www.csrgc.com.cn
E-MAIL ADDRESS	csr@csrgc.com

H SHARE REGISTRAR	Computerhsare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
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 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 F407 Ocean Plaza, 158 Fuxing Men Nei Avenue, Beijing, the PRC

CSR 中国南车



Address: No.16, Central West Fourth Ring Road,
Haidian District, Beijing, the PRC
Post Code: 100036
Email: csr@csrgc.com
Website: www.csrgc.com.cn