



株洲南车时代电气股份有限公司

ZHUZHOU CSR TIMES ELECTRIC CO., LTD.

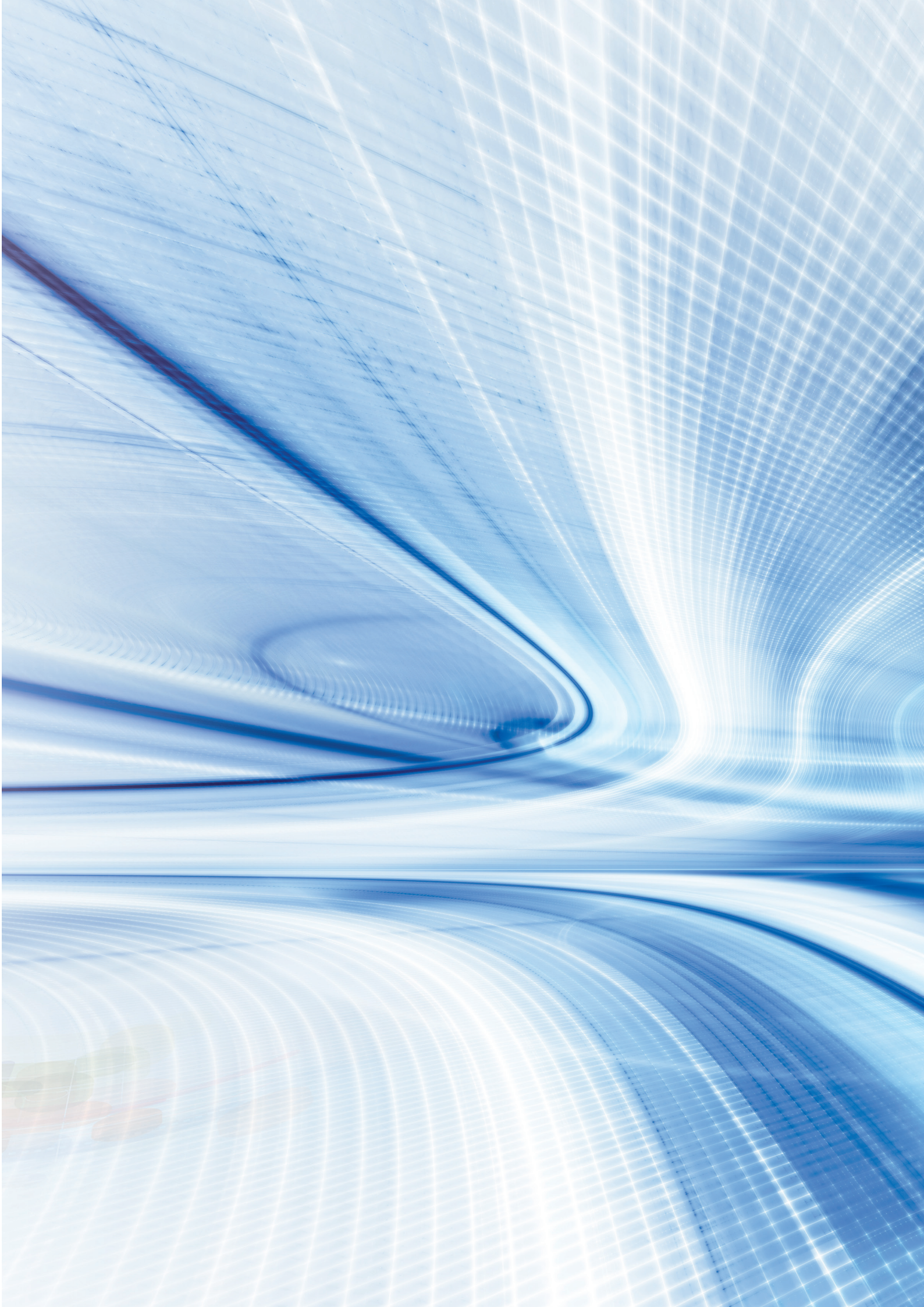
(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3898)

New **CSR**

New **CREATION**

ANNUAL REPORT **2013**



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Notes:

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

Financial Highlights

CONSOLIDATED STATEMENT OF PROFIT OR LESS HIGHLIGHTS

	Year Ended 31 December				
	2013 RMB'000	2012 RMB'000 (Restated)	2011 RMB'000	2010 RMB'000	2009 RMB'000
Revenue	8,855,964	7,248,863	7,124,775	5,886,854	3,367,726
Operating profit	1,614,400	1,282,527	1,270,105	958,659	564,292
Total profit	1,703,580	1,403,781	1,380,922	987,159	619,430
Net profit	1,466,225	1,225,189	1,187,036	852,062	529,594
Net profit attributable to shareholders of the Parent	1,467,021	1,223,789	1,184,443	850,528	526,087
Non-controlling interests	(796)	1,400	2,593	1,534	3,507
Basic earnings per share (RMB Yuan/share)	RMB1.33	RMB 1.13	RMB 1.09	RMB 0.78	RMB 0.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

	As at 31 December				
	2013 RMB'000	2012 RMB'000 (Restated)	2011 RMB'000	2010 RMB'000	2009 RMB'000
Total assets	13,398,482	9,657,458	8,654,179	7,088,275	5,459,557
Total liabilities	4,248,362	3,338,630	3,216,495	2,518,512	1,512,301
Net assets	9,150,120	6,318,828	5,437,684	4,569,763	3,947,256

Chairman's Report

Dear Shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31 December 2013. On behalf of the Board of Directors, I would like to express my sincere gratitude to all shareholders for your continual care and support.

PERFORMANCE REVIEW

The Group's revenue in 2013 amounted to RMB8,856.0 million (2012 (Restated): RMB7,248.9 million), representing an increase of 22.2% year-on-year. Net profit attributable to shareholders of the Parent amounted to RMB1,467.0 million (2012 (Restated): RMB1,223.8 million), representing an increase of 19.9% year-on-year. Basic earnings per share amounted to RMB1.33 (2012 (Restated): RMB1.13), representing an increase of 17.7% year-on-year. The Company proceeded with a share placement in October 2013 and its number of issued shares increased by 8.4% from 1,084,255,637 shares to 1,175,476,637 shares.

BUSINESS REVIEW

In 2013, there was a significant change in the railway operating mechanism. Faced with the policy adjustment of the railway industry and the challenging market environment, the Group, adhered to its "efficient organization" and "global operation" strategies and with "Dual Efficient CSR" as its guiding principle, achieved its annual target with growth in the overall businesses and profits via synergy of market, research and development and management.



Meanwhile, all business sectors respectively made new breakthroughs in technology, products and markets, which mainly included:

- In respect of the traction systems for locomotives, the extensive application of 9600kW electric locomotives and passenger electric locomotives with a speed of 160 km/h were promoted. The Company started to deliver electric locomotives to South Africa and completed the environmental test and trial operation on the 4,400hp diesel locomotive.
- In respect of the traction systems for electric multiple units, the high-speed railway market grew steadily. The Company completed the whole locomotive type test and commenced promoting the application of its own CRH6-160 inter-city electric multiple units traction system.
- In respect of urban railway and metro, the Company's own traction systems continued to lead the domestic market, which consolidated its market share, broadened the market influence of its own brand in the market and expanded its application in the international market. The Changsha Metro Line 2 Project, in which the Company's integrated supply of three critical systems — traction, braking and signaling was used for the first time and was progressing smoothly.
- In respect of engineering machinery, rail flaw detection vehicles were delivered in batches. Safety monitoring products were basically steady. The sector of parts and components was developing steadily. The high power IGBT module developed by the Company began to applied in batches in the rail transport sector and passed the flexible direct current transmission application test.

During the past year, the Company also emphasized on organizational performance and optimized the organizational structure, laying a solid foundation for business development.

OUTLOOK

Railway transportation has played an important role in the economic development of China. The trunk line cargo market continues to explore its potential and expand. The high-speed railway and urban rail markets are still under the period of rapid development. New technologies and changes in connection with railway transportation are continually improving people's lives and promote sustainable economic construction in China.

Entering 2014, following the reform of the railway operating mechanism in China, the demand trend for mobile devices such as locomotives has gradually become apparent. There are still many uncertainties associated with the policy and the market. For railway operations, more attention will be paid to operating efficiency.

Faced with the market condition, the Company will persist in its existing strategy to strengthen its core sectors and consolidate its competitive advantages. We will insist on the coordination of the two major lines of "technology" and "market" to provide quality services to customers and steadily expand into the international market.

In the field of locomotives and electric multiple units, the Company will strengthen and expand the 9,600kW electric locomotive, 160km/h passenger electric locomotive, HXD1C plateau locomotive, South Africa electric locomotive and 4,400hp diesel locomotive using its own systems to strive for market opportunities in relation to electric multiple units, develop the inter-city electric multiple unit market and step up its efforts in expanding the overhaul service business.

In the field of urban railway and metro, the Company will step up its efforts in maintaining quality and on schedule deliveries, make full efforts to strive for a larger market share and increase its influence of its own brand within the industry. In addition, the Company will proceed with overall planning and promote related products through cooperation.

Chairman's Report

In the field of engineering machinery, the Company will enhance its capability for delivering diversified products in small quantities, strengthen the two-way integration between technology and the market and facilitate the commercialization of new technologies. In the field of communication and signalling, the Company will consolidate the existing market and seek for new market opportunities.

In the field of industrialization of high power IGBT devices, the Company intends to establish its capability for mass production. The Company will persist in emphasizing both technology development and market expansion to promote product seriation, expedite the promotion of extensive application and develop the component market.

Looking ahead to the coming year, we are confident in expanding our competitive edges in all business sectors while consolidating our status in the industry and enhancing management to achieve a healthy and stable development of the Group, thereby creating greater value for our shareholders.

Ding Rongjun

Chairman of the Board

Zhuzhou, Hunan, PRC

25 March 2014

Management Discussion and Analysis

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

Revenue

	2013 (RMB million)	2012 (Restated) (RMB million)
Locomotives	2,906.2	1,584.1
Electric Multiple Units	2,315.1	2,228.7
Metropolitan rail transportation equipment	955.7	927.7
Railway maintenance vehicles related products	1,102.9	976.2
Train operation safety equipment	571.0	613.2
Power semiconductor modules	522.9	489.5
Other products	482.2	429.5
Total revenue	8,856.0	7,248.9

The Group's revenue increased by RMB1,607.1 million or 22.2% from RMB7,248.9 million for the year ended 31 December 2012 (Restated) to RMB8,856.0 million for the year ended 31 December 2013.

In 2013, other than a small decrease in the revenue from train operation safety equipment, other product series recorded increases in revenue at various growth levels. Among these, the strongest growth in revenue was from locomotives with an increase of RMB1,322.1 million. Such increase was mainly due to the delivery of 9600kW electric locomotives.



Management Discussion and Analysis

Cost of sales

The Group's cost of sales increased by 18.6% from RMB4,802.7 million for the year ended 31 December 2012 (Restated) to RMB5,694.5 million for the year ended 31 December 2013. The increase in the cost of sales was mainly due to the combined effects of the growth in the Group's revenue and the change of product sales mix.

Gross profit

The Group's gross profit increased by 29.2% from RMB2,446.2 million for the year ended 31 December 2012 (Restated) to RMB3,161.5 million for the year ended 31 December 2013. The Group's gross profit margin increased from 33.7% for the year ended 31 December 2012 (Restated) to 35.7% for the year ended 31 December 2013. The change in gross profit margin was mainly due to the change of product sales mix.

Selling expenses

Selling expenses of the Group increased by 49.1% from RMB334.3 million for the year ended 31 December 2012 (Restated) to RMB498.5 million for the year ended 31 December 2013. Selling expenses increased with increases in business operations.

Administrative expenses

The Group's administrative expenses increased by 16.5% from RMB863.2million for the year ended 31 December 2012 (Restated) (representing 11.9% of the Group's revenue for the whole year) to RMB1,005.2 million for the year ended 31 December 2013 (representing 11.4% of the Group's revenue for the whole year). The increase in administrative expenses was due to the increase in business operations and in research and development costs of the Group in 2013. However, as strict control was exercised over expenses by the Group, the share of the Group's administrative expenses in the full year revenue decreased by 0.5 percentage point as compared to last year.

Finance costs

The Group's finance costs decreased from negative RMB9.2 million for the year ended 31 December 2012 (Restated) to negative RMB27.5 million for the year ended 31 December 2013. The decrease in finance costs was mainly due to the increase in interest income during the year.

Investment income

The Group's investment income decreased by 87.2% from RMB98.7 million for the year ended 31 December 2012 (Restated) to RMB12.6 million for the year ended 31 December 2013. The decrease in investment income was due to the decrease in the share of profits of associates and a joint venture.

Asset impairment losses

The Group's asset impairment losses decreased by 27.7% from RMB11.2 million for the year ended 31 December 2012 (Restated) to RMB8.1 million for the year ended 31 December 2013.

Non-operating income

The Group's non-operating income decreased by 26.2% from RMB122.4 million for the year ended 31 December 2012 (Restated) to RMB90.3 million for the year ended 31 December 2013. The decrease in non-operating income was due to the decrease in the one-off government grants during the year.

Non-operating expenses

The Group's non-operating expenses decreased by 8.3% from RMB1.2 million for the year ended 31 December 2012 (Restated) to RMB1.1 million for the year ended 31 December 2013. The decrease in non-operating expenses was due to the decrease in donations in the current year as compared to last year.

Total profit

The Group's total profit increased by 21.4% from RMB1,403.8 million for the year ended 31 December 2012 (Restated) to RMB1,703.6 million for the year ended 31 December 2013. The increase in total profit was mainly due to the increase in revenue. The Group's sales profit margins for the years ended 31 December 2012 (Restated) and 31 December 2013 were 19.4% and 19.2% respectively.

Income tax expense

The Group's income tax expense increased by 32.9% from RMB178.6 million for the year ended 31 December 2012 (Restated) to RMB237.4 million for the year ended 31 December 2013.

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

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

Times Information and Shenyang Times were subject to the corporate income tax rate of 25%.

The effective income tax rates of the Group for the years ended 31 December 2012 (Restated) and 31 December 2013 were 12.7% and 13.9% respectively.

Net profit attributable to shareholders of the Parent

Net profit attributable to shareholders of the Parent increased by 19.9% from RMB1,223.8 million for the year ended 31 December 2012 (Restated) to RMB1,467.0 million for the year ended 31 December 2013. The increase in the net profit attributable to shareholders of the Parent was mainly due to the increase in revenue.

Management Discussion and Analysis

Non-controlling interests

Non-controlling interests decreased from RMB1.4 million for the year ended 31 December 2012 (Restated) to negative RMB0.8 million for the year ended 31 December 2013. The decrease in non-controlling interests was mainly due to the decrease in net profit from the Group's non-wholly owned subsidiaries as compared to last year.

Earnings per share

Earnings per share increased by RMB0.20 from RMB1.13 for the year ended 31 December 2012 (Restated) to RMB1.33 for the year ended 31 December 2013.

Liquidity and source of capital

Cash flows and working capital

The Group's needs for working capital were mainly satisfied by cash generated from operations. The net increase in cash and cash equivalents of the Group amounted to RMB821.1 million for the year ended 31 December 2013.

Net cash flows from operating activities

The Group's net cash flows from operating activities decreased from RMB1,246.7 million for the year ended 31 December 2012 (Restated) to RMB726.0 million for the year ended 31 December 2013, which was mainly due to the increase in the cash paid for all types of taxes by the Group as compared to last year.

Net cash flows from investing activities

For the year ended 31 December 2013, the Group's net cash from investing activities was approximately negative RMB1,327.3 million. The cash outflow item in investing activities was mainly the cash paid for acquisition of investments of RMB1,100.9 million.

Net cash flows from financing activities

For the year ended 31 December 2013, the Group's net cash flows from financing activities was approximately RMB1,422.4 million. The cash inflow item in financing activities was mainly the amount of RMB1,776.0 million of cash received from capital contribution.

Liquidity

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

Commitments

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

	31 December 2013	31 December 2012 (Restated)
	(RMB million)	(RMB million)
Capital commitments:		
Contracted but not provided for	214.0	189.8
Authorised but not contracted for	315.7	698.5
	529.7	888.3
Investment commitments:		
Authorised but not contracted for	91.1	—
Contracted but not fulfilled	—	16.6
	91.1	16.6

Indebtedness

The Group's indebtedness as at the dates indicated is set out as follows:

	31 December 2013	31 December 2012 (Restated)
	(RMB million)	(RMB million)
Short-term borrowings	31.2	—
Long-term borrowings (inclusive of amounts due within one year)	64.4	69.7
Total	95.6	69.7

Pledge

As at 31 December 2013, the Group pledged its fixed assets with a net carrying amount of RMB34.9 million (31 December 2012 (Restated): RMB30.3 million) to obtain bank borrowings.

As at 31 December 2013, the Group pledged its intangible assets with a net carrying amount of RMB17.8 million (31 December 2012 (Restated): RMB17.9 million) to obtain bank borrowings.

Management Discussion and Analysis

Gearing ratio

The Group monitors capital management by using the gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio between 1% and 10%. Net debt includes all borrowings, bills payable, trade payables, receipts in advance, employee benefits payable, taxes payable (excluding income tax payable), other payables less cash and cash equivalents. The Group's gearing ratio was 6.4% as at 31 December 2012 (Restated) and 4.0% as at 31 December 2013.

Contingent liabilities

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

Market risks

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

Policy risk

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

Directors, Supervisors and Senior Management

Directors



Ding Rongjun, aged 53, Chairman of the Board and executive Director. Mr. Ding joined CSR ZELRI in August 1984 and has held the positions of deputy director and project manager of the scientific research department, deputy director, deputy chief engineer and chief engineer of CSR ZELRI. Mr. Ding served as president of the Company from September 2005 to December 2007, deputy general manager of CSR ZELRI from December 2007 to December 2008, general manager of CSR ZELRI from December 2008 to July 2009. He has been executive director and general manager of CSR ZELRI since July 2009, director of Times New Materials since December 2008. Mr. Ding graduated from Southwest Jiaotong University with a bachelor's degree in Electric Locomotive in 1984, from Changsha Railway Institute with a master's degree in Traffic Information and Control in 1998, from Hunan University with a master's degree in Management Science and Engineering in 1999 and graduated from Central South University with a doctorate's degree in Intelligent Control and Pattern Recognition in 2008. Mr. Ding was elected as a member of the Chinese Academy of Engineering in December 2011. Mr. Ding has been executive Director of the Company since September 2005, and Chairman of the Board since December 2007.



Deng Huijin, aged 57, Vice Chairman of the Board and executive Director. Mr. Deng joined CSR ZELRI in 1982 and has held various positions as assistant engineer, engineer and senior engineer. He served as deputy director of CSR ZELRI from November 1995 to December 2005, deputy Party secretary, secretary of Party discipline inspection commission and chairman of the labour union of CSR ZELRI from December 2005 to November 2008, and has been Party secretary and deputy general manager of CSR ZELRI and director of Times New Materials since December 2008. Mr. Deng graduated from Dalian Railway Institute with a bachelor's degree in Engineering in 1982. Mr. Deng was appointed as non-executive Director of the Company in August 2009 and has been redesignated from a non-executive Director to an executive Director of the Company on 25 March 2014. He has been Vice Chairman of the Board since April 2010.



Li Donglin, aged 47, executive Director and general manager. Mr. Li is executive director of Times Electronics, Ningbo Times, Times Equipment, Times Information, Shenyang Times and Kunming Electric, and chairman of the board of directors of Baoji Times, Guangzhou Times and Dynex. Mr. Li joined CSR ZELRI in July 1989 and has held the positions of deputy chief engineer, deputy general manager of the rail transport department, director of the manufacturing centre, deputy general manager of the sales and marketing centre of CSR ZELRI. Mr. Li served as chief marketing officer of the Company from September 2005 to December 2007, vice president and secretary of the Party of the Company from December 2007 to December 2009. Mr. Li graduated from Southwest Jiaotong University with a bachelor's degree in Electric Traction and Drive Control in 1989. Mr. Li has been general manager of the Company since January 2010, and executive Director of the Company since April 2010.

Directors, Supervisors and Senior Management



Yan Wu, aged 47, executive Director, vice general manager and secretary to the Board. Mr. Yan is a senior engineer. He joined CSR ZELRI in 1992. Mr. Yan graduated from Northwestern Polytechnical University with a bachelor's degree in Electro-Technology in 1989 and a master's degree in Aircraft Navigation and Control in 1992. Mr. Yan served as director of technical standards department of the Company from September 2005 to December 2007, and as director of the securities and legal department of the Company from January 2007 to January 2014. Mr. Yan had been the general secretary of the National Electric Traction Equipment and System Standardization Technical Committee from September 2005 to November 2011. Mr. Yan was appointed as secretary to the Board of the Company in December 2007 and vice general manager of the Company in June 2012. He has been non-executive Director of the Company since December 2010 and has been redesignated from a non-executive Director to an executive Director of the Company on 25 March 2014.



Ma Yunkun, aged 60, non-executive Director. Mr. Ma has more than 10 years of experience in business management and was chairman of the board of directors and general manager of Kunming China Railway from 2004 to January 2010 and has been chairman of the board and secretary of the Party of Kunming China Railway since January 2010. Mr. Ma held the positions of deputy director of Kunming Machine Factory from 1994 to 2003 and vice chairman of the board of directors and general manager of Kunming China Railway from 2003 to 2004. Mr. Ma has been non-executive Director of the Company since September 2005.



Gao Yucai, aged 73, independent non-executive Director. Mr. Gao is a senior engineer and has more than 20 years of experience in the urban rail transportation industry. Mr. Gao was deputy director of the Beijing Public Utility Bureau from 1983 to 1990 and general manager of Beijing Metro Corporation from 1990 to 2001. Mr. Gao was a commissioner of the China Communication and Transportation Association ("CCTA") and director of the urban rail transportation committee of CCTA. He graduated from the PLA Engineering Institute (its predecessor is Harbin Institute of Military Engineering) in 1966. Mr. Gao has been independent non-executive Director of the Company since November 2006.

Directors, Supervisors and Senior Management



Chan Kam Wing, Clement, aged 56, independent non-executive Director. Mr. Chan is a certified public accountant in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Chan possesses the appropriate financial management expertise as required by the Listing Rules. Mr. Chan has been the Managing Director of BDO Limited since May 2009. Mr. Chan was the Asia Pacific regional director and the Board member of Horwath International from 1996 to April 2009, during which Mr. Chan was the Managing Director of Horwath Hong Kong CPA Limited. Mr. Chan was elected as a council member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") since 2007 and is the current President of HKICPA. He is actively involved in the work and matters of the technical and industry monitoring committees of HKICPA. From 2010 to 2013, Mr. Chan has been appointed as the chairman of the Financial Reporting Standards Committee of the HKICPA and is responsible for research, editing and promulgation of the Hong Kong Financial Reporting Standards. Mr. Chan is also the chairman of the Asian-Oceanian Standard-Setters Group and attends various international conferences on the setting of accounting standards on behalf of Hong Kong. Mr. Chan obtained a bachelor's degree in Accounting and a master's degree in Commerce from the United Kingdom and Australia, respectively. Mr. Chan has been independent non-executive Director of the Company since September 2005.



Pao Ping Wing, aged 67, independent non-executive Director. Since 1987, Mr. Pao has been appointed as the independent non-executive director of various listed companies in Hong Kong. Mr. Pao has rich experiences in corporate governance. Mr. Pao is independent non-executive director of Oriental Press Group Limited, UDL Holdings Limited, Sing Lee Software (Group) Limited, Maoye International Holdings Limited, New Environmental Energy Holdings Limited, Soundwill Holdings Limited and HL Technology Group Limited. Mr. Pao was appointed as a Justice of Peace since 1987. Mr. Pao was appointed by the Hong Kong government as a member of the Town Planning Board, the Advisory Council on the Environment, the Hong Kong Housing Authority and the Land Development Corporation. Mr. Pao obtained a master's degree in Science of Human Settlement Planning and Development. Mr. Pao has been independent non-executive Director of the Company since September 2005.



Liu Chunru, aged 43, independent non-executive Director. Ms. Liu is a certified assets valuer. Ms. Liu was vice president of Beijing China Enterprise Appraisal Co., Ltd. and president of Zhongfa International Appraisal Co., Ltd. She has been vice chairman of the board of Beijing Zhuoxindahua Appraisal Co., Ltd. since September 2012. Ms. Liu graduated from Chongqing University with a bachelor's degree in Engineering in 1994 and graduated from Tsinghua University with a master's degree in Business Administration in 2008. Ms. Liu was a supervisor of the Company from September 2005 to April 2008. Ms. Liu has been independent non-executive Director of the Company since June 2008.

Directors, Supervisors and Senior Management

Supervisors



He Wencheng, aged 56, supervisor and Chairman of the Supervisory Committee. Mr. He is a senior accountant. Mr. He joined CSR ZELRI in September 2009 as vice general manager and chief financial officer, and has been consultant to general manager of CSL ZELRI since January 2014. He held various positions as accountant, deputy director of the finance and assets department, director of the finance department and chief accountant of Zhuzhou Electric Locomotive Works (株州電力機車廠) from December 1977 to March 2007. He served as the chief accountant of Qishuyan Works from March 2007 to January 2008 and vice general manager and chief financial officer of CSR Qishuyan Locomotive Co., Ltd. from January 2008 to September 2009. Mr. He studied at East China Jiaotong University from August 1983 to July 1985. Mr. He has been a supervisor of the Company since June 2010.



Pang Yiming, aged 50, supervisor. Mr. Pang is general manager of the printed circuit business division of the Company. Mr. Pang joined CSR ZELRI in October 1982 and held positions of assistant to general manager of the manufacturing centre of CSR ZELRI and deputy general manager of Times Electronics, chief production officer and director of the production department of Times Electronics. Mr. Pang served as assistant to director and deputy general manager of the marketing management department of the marketing centre of the Company from January 2007 to January 2009, director of the marketing management department of the Company from January to December 2009, and director of the operation management department of the Company from January 2010 to December 2011. Mr. Pang has been general manager of the printed circuit business division of the Company since January 2012. Mr. Pang graduated from Central South University in 2004 after a three-year study in management and engineering. Mr. Pang has been employee representative supervisor of the Company since September 2005.



Zhou Guifa, aged 50, supervisor. Mr. Zhou is a professor ranked senior engineer. He joined CSR ZELRI in 1985 and has held various positions as engineer, senior engineer and professor ranked senior engineer at the R&D centre of CSR ZELRI and the technology centre of the Company. Mr. Zhou served as chief technology officer of Shanghai branch of the technology centre of the Company from September 2005 to December 2006, and has been chief scientist of the Company since January 2007 and chief technical expert of CSR since 2011. Mr. Zhou graduated from Dalian Railway Institute with a bachelor's degree in Engineering in 1985, obtained a master's degree in Engineering from the Central South University in 1997 and a doctorate's degree in Engineering from the Tongji University in 2009. Mr. Zhou has been an employee representative supervisor of the Company since January 2010.

Directors, Supervisors and Senior Management



Geng Jianxin, aged 60, independent supervisor. Mr. Geng has been a teacher at the Department of Accounting of Renmin University of China since 1993 and now a professor and a doctoral supervisor. Mr. Geng graduated from Zhejiang Metallurgy and Economics College in 1981 majoring in accounting. He worked as an assistant accountant for a geophysics exploration company of the Ministry of Metallurgical Industry from 1981 to 1984 and for the Taxation Bureau of Baoding, Hebei from 1984 to 1985. He obtained a master's degree in economics from Zhongnan University of Economics and Law in 1988 and worked as a lecturer and assistant professor at Hebei Institute of Economics and Business from 1988 to 1990. He obtained a doctorate's degree in administration from the Department of Accounting of the Renmin University of China in 1993. Mr. Geng has been independent supervisor of the Company since June 2011.

Senior Management

Li Donglin, aged 47, executive Director and general manager. Biographical details of Mr Li are set out above.



Du Jinsong, aged 48, Party secretary and vice general manager. Mr. Du is a senior engineer. He joined CSR ZELRI in 1989 and has held various positions as group leader, director of the production department, vice director in charge of production, executive vice director and deputy general manager of the manufacturing centre of CSR ZELRI. He served as deputy general manager of the marketing centre of CSR ZELRI from March 2002 to March 2004, deputy general manager and secretary of Party general branch of power electronic business unit of CSR ZELRI from March 2004 to December 2004, deputy general manager and Party branch secretary, executive deputy general manager and party branch secretary of engineering centre of CSR ZELRI from December 2004 to August 2006, general manager and vice secretary of Party general branch of wind power unit of CSR ZELRI from August 2006 to December 2011. Mr. Du graduated from East China Jiaotong University with a bachelor's degree in Electric Traction and Drive Control in 1989 and Changsha Railway Institute with a certificate of post graduation in Traffic Information and Control in 1999. He later graduated from Hunan University with a certificate of post graduation in business administration in 2001. Mr. Du has been the Party secretary and vice general manager since January 2012.

Directors, Supervisors and Senior Management



Liu Ke'an, aged 43, vice general manager and chief engineer. Mr. Liu is a senior engineer. He joined CSR ZELRI in August 1994 and has held various positions as engineer, chief engineer, senior engineer and chief designer. He has held various positions such as director of the drive technology department of technology centre, director of systems project department of the technology centre, deputy director and director of the technology centre of the Company since September 2005. He was a supervisor representing employees of the Company from December 2007 to January 2010 and Chief Technology Officer of the Company from January 2010 to June 2012. Mr. Liu is a director of Dynex and chairman of Hunan CSR Weblec Railway Transportation Technology Co., Ltd. He also served as general manager of semi-conductor department of the Company since January 2014. He graduated from the Department of Electrical Engineering of Tongji University with a bachelor's degree in Engineering in 1994. Mr. Liu has been vice general manager and the chief engineer of the Company since June 2012.



Chen Jian, aged 42, vice general manager. Mr. Chen is a senior engineer. He joined CSR ZELRI in August 1995 and has held various positions as director of market department of the marketing centre of CSR ZELRI and general manager of Zhuzhou Jierui Electronics Engineering Company Limited (株洲傑瑞電氣工程有限公司) and deputy general manager of Times Electronics. Mr. Chen has held various positions as general manager of the marketing centre of the Company and general manager of Times Electronics since July 2005, and vice chief economist of the Company from January 2009 to December 2009. Mr. Chen was general manager of Baoji Times from April 2009 to January 2010, and has been vice chairman of the board and executive director of Baoji Times since April 2009. He was chief marketing officer of the Company from January 2010 to June 2012. Mr. Chen graduated from Tongji University with a bachelor's degree in Electronic Equipment and Metrological Technology in July 1995, obtained a master's degree in Business Administration from Central South University in December 2006. Mr. Chen has been vice general manager of the Company since June 2012.



Liu Daxi, aged 49, vice general manager. Mr. Liu is a senior engineer. He joined CSR ZELRI in July 1988. He has worked for the trial production department, the electrical equipment factory and the manufacturing centre of CSR ZELRI. He has held various positions as deputy director and director of the engineering department of electrical equipment factory, deputy director of the electrical equipment factory, deputy director, director and general manager of the manufacturing centre. Mr. Liu served as deputy chief economist of the Company from January 2008 to December 2009 and chief production officer of the Company from January 2010 to June 2012. He graduated from Beijing Jiaotong University in July 1988 with a bachelor's degree in Electric Traction and Drive Control, and studied the MBA programme at Business School of Central South University from June 2003 to April 2005. He undertook a programme in leadership in manufacturing technology at The George Washington University from November 2003 to December 2003 and studied the programme for chief operation officer at Fudan University from September 2006 to March 2007. Mr. Liu has been vice general manager of the Company since June 2012.

Directors, Supervisors and Senior Management



Tan Yongneng, aged 44, chief administration officer and chairman of the labour union. He joined CSR ZELRI in July 1990, and has successively held various positions as director of general manager's office of Times Electronics, director of department of Party and mass affairs and director of Party office of CSR ZELRI. He was director of department of Party and mass affairs and director of department of auditing of the Company from December 2004 to December 2005, director of department of Party and mass affairs and director of Party office of CSR ZELRI from December 2005 to December 2007, and director of administration office and director of secretary office of decision-making committee of CSR ZELRI from January 2008 to January 2010. Mr. Tan graduated from Xiangtan University majored in Electrical Technology in July 1995. He attended the on-the-job postgraduate programme in Psychology and Human Resources of Peking University in 2000, and obtained a certificate of graduation by completing the full postgraduate programme in July 2002. He attended the on-the-job MBA programme of Business School of Central South University in 2003 and obtained a certificate of graduation by completing the full postgraduate programme in July 2005. Mr. Tan has been the chief administration officer and the chairman of the labour union of the Company since January 2010.



Niu Jie, aged 46, vice general manager. Mr. Niu is an engineer. He joined CSR ZELRI in October 1994 and served as director of the production department of the PCB plant, sales director of the production and operation division and vice general manager of the marketing centre of CSR ZELRI. He was deputy general manager of the marketing centre of the Company from September 2005 to December 2006 and general manager of the locomotives business department of the marketing centre of the Company from January 2007 to December 2008. Mr. Niu was a technician and office director of the loading and unloading machinery plant of Lanzhou Railway Bureau from February 1988 to October 1994. He was deputy chief economist of the Company from January 2010 to June 2012 and has been general manager of the locomotives business department of the Company from January 2009 to May 2013. Mr. Niu graduated from Central South University in June 2003 with an undergraduate certificate of graduation in machinery design, manufacturing and automation. Mr. Niu has been vice general manager of the Company since June 2012.

Directors, Supervisors and Senior Management

Yan Wu, aged 47, executive Director, vice general manager and secretary to the Board. Biographical details of Mr. Yan are set out above.



Zhang Hua, aged 38, vice general manager and chief financial officer, Ms. Zhang is a senior accountant and a Certified Public Accountant of China. Ms. Zhang joined CSR ZEIRI in 1998 and acted as accountant and accounting manager. She served as a director of financial assets department of CSR ZEIRI from January 2005 to November 2007, the chief financial officer of Times New Materials from December 2007 to December 2009 and vice general manager and chief financial officer of Times New Materials from January 2010 to May 2013. Ms. Zhang graduated from Xiangtan University in June 1998 with a bachelor's degree of Economics and graduated from Hunan University with a master's degree of Professional Accounting in November 2012. Ms. Zhang has been vice general manager and chief financial officer of the Company since May 2013.



Tang Tuong Hock, Gabriel, aged 61, company secretary. Mr. Tang has been a member of the Institute of Chartered Accountants in England and Wales since 1981 and is also a member of the Chartered Association of Certified Accountants in the United Kingdom. Mr. Tang has more than 20 years of experience in accounting and management in various industries. He was appointed as qualified accountant and joint company secretary of the Company from July 2006 to June 2011. Mr. Tang has served as the company secretary and the authorised representative of the Company since July 2011.

Corporate Governance Report

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

I Corporate Governance Practices

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

During the reporting period ended 31 December 2013, the Company has fully complied with all the code provisions of the Corporate Governance Code ("CG Code"), except for Code Provisions A.5.6, A.6.7 and E.1.2 as set out below.

Code Provision A.5.6 provides that the nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report. Despite that the written policy concerning board diversity was not formally adopted before the effective date of such amendments to the Listing Rules (i.e. 1 September 2013), the Board considers that the Company has achieved the purpose of board diversity. The Board adopted the Board Diversity Policy on 11 October 2013.

In addition, Mr. Ding Rongjun and Mr. Li Donglin, executive directors of the Company, and Mr. Ma Yunkun, the non-executive director of the Company, did not attend the shareholders' meeting due to their other important commitments that deviated the requirements of Code Provision A.6.7. Besides, Mr. Ding Rongjun, the chairman of the Company, did not attend the annual general meeting due to his other important commitments, which deviated the requirements of Code Provision E.1.2.

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

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

II Securities Transactions by Directors

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

Having made specific inquiries in relation to the compliance with Model Code for securities transactions by the Directors, the Company confirmed that all Directors have complied with the relevant standards for securities transactions by Directors set out in the Model Code during the reporting period.

III Board of Directors

1. Composition of the Board

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

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

Messrs. Deng Huijin and Yan Wu were redesignated from non-executive Directors to executive Directors of the Company on 25 March 2014.

The number of members of the Board of Directors is one less than the number required by the Articles for the time being. The Company hopes to search for a suitable person to fill the vacancy as soon as possible.

The Company has entered into service contracts with all Directors for a term of three years except Messrs. Deng Huijin and Yan Wu whose terms commenced from 25 March 2014 and ended at the conclusion of the annual general meeting of the Company for the year 2013 ("AGM"). The contracts shall remain valid for a term of three years or for a shorter period as may be decided upon at the re-elections of the Directors at the general meeting. Notice of termination of Directors' service contracts given by any party shall not be less than three months.

The Directors have strictly complied with their undertakings, and have been honest, trust-worthy and diligent in the performance of their duties. Save for the aforesaid non-compliance with the Articles regarding the number of Board members, the number of Directors and the composition of the Board have complied with relevant laws and regulatory requirements. There is no relationship between the members of the Board (especially between the Chairman and the general manager), including any financial, business, family or other material relevant relationship.

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

The Company has received annual confirmations from Messrs. Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing and Ms. Liu Chunru of their independence, and considers that they are still independent as of the date of this report.

2. Board Meetings and Directors' Attendances at Board Meetings

During the reporting period, the Company held twelve Board meetings and two general meetings.

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

Name	Title	Attendances at Board meetings	Attendances at the general meetings
Ding Rongjun ⁽¹⁾	Chairman of the Board and Executive Director	11/12	0/2
Deng Huijin ⁽²⁾	Vice Chairman of the Board and Executive Director	12/12	2/2
Li Donglin ⁽¹⁾	Executive Director	11/12	0/2
Yan Wu ⁽²⁾	Executive Director	12/12	2/2
Ma Yunkun ⁽¹⁾	Non-Executive Director	11/12	0/2
Gao Yucai	Independent Non-Executive Director	12/12	2/2
Chan Kam Wing, Clement	Independent Non-Executive Director	12/12	2/2
Pao Ping Wing	Independent Non-Executive Director	12/12	2/2
Liu Chunru	Independent Non-Executive Director	12/12	2/2

Notes:

- (1) Mr. Ding Rongjun appointed Mr. Deng Huijin to attend on his behalf the sixth extraordinary meeting of the third session of the Board for 2013 held on 29 October 2013. Mr. Li Donglin and Mr. Ma Yunkun appointed Mr. Yan Wu to attend on their behalf the sixth extraordinary meeting of the third session of the Board for 2013 held on 29 October 2013.
- (2) Mr. Deng Huijin and Mr. Yan Wu were redesignated from non-executive Directors to executive Directors on 25 March 2014.

3. Directors' Continuous Training and Development Program

Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This can ensure that they make contributions to the Board with sufficient information and satisfy what is practically required.

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

During the reporting period, the Company has provided the Directors with appropriate continuous training and professional development courses, including 1) assigning the Company's counsel to organize trainings for the Directors on the "New Laws regarding Inside Information Disclosure"; and 2) providing the Directors with training materials on the "Board Diversity Policy" and the "Implementation Rules and Regulations of the Nomination Committee of the Board". All Directors attended the relevant trainings, and were aware of and read the abovementioned documents. The Company has received from each of the Directors the confirmation on attending continuous professional trainings.

Corporate Governance Report

In addition to as aforesaid, Mr. Pao Ping Wing, independent non-executive Director, attended trainings relating to the work of Audit committee, Hong Kong privacy ordinance, directors' responsibilities and the CG Code arranged by other organizers with speakers including lawyers and accountants; and Mr. Chan Kam Wing, Clement, independent non-executive Director, attended trainings relating to new accounting standards and the revised Listing Rules arranged by other organizers.

4. Operation of the Board

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

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

All Directors are given not less than 14 days' notice of regular Board meetings and are given reasonable prior notice of Board meetings other than regular meetings.

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

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

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

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

Director(s) with interest in any connected transaction cannot vote at the Board meeting considering the particular connected transaction. If a resolution cannot be passed due to the Director(s) abstaining from voting, the resolution will be submitted directly to the shareholders' general meeting for consideration by the shareholders.

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

5. Committees of the Board

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

a. *Strategy committee*

The Company's strategy committee was established in October 2005. It currently consists of three Directors, including two executive Directors and one independent non-executive Director. The members of the strategy committee are Messrs. Ding Rongjun, Li Donglin and Gao Yucai. Mr. Ding Rongjun is the strategy committee's chairman.

The main responsibilities of the strategy committee are:

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

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

b. *Audit committee*

The Company's audit committee was established in October 2005. It currently consists of five Directors, including a non-executive Director and four independent non-executive Directors. The committee's members are Messrs. Chan Kam Wing, Clement, Pao Ping Wing, Gao Yucai, Ms. Liu Chunru and Mr. Ma Yunkun. Mr. Chan Kam Wing, Clement is the audit committee's chairman. Mr. Chan has appropriate professional qualifications and related financial management expertise.

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

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

Corporate Governance Report

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

Audit committee member	Attendances at the meetings held during the year ended 31 December 2013
Chan Kam Wing, Clement	4/4
Pao Ping Wing	4/4
Gao Yucai	4/4
Liu Chunru	4/4
Ma Yunkun	4/4

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

c. Risk management committee

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

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

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

d. Remuneration committee

The Company's remuneration committee was established in October 2005, and changed its name to nomination and remuneration committee at the first meeting of the second session of the Board held on 27 June 2008, and was resolved to be separated and renamed as nomination committee and remuneration committee at the fifth meeting of the third session of the Board held on 29 March 2012. It currently consists of three independent non-executive Directors. The committee members were Messrs. Pao Ping Wing and Gao Yucai and Ms. Liu Chunru. Mr. Pao Ping Wing is the chairman of the remuneration committee.

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

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

For the year ended 31 December 2013, the remuneration of senior management fell within the following ranges:

Remuneration banding (Hong Kong Dollars)	Number
Below HKD1,000,000	9
HKD1,000,001 – HKD2,000,000	1

Further details disclosed in respect of the remuneration of directors, supervisors, general manager and five highest paid employees under Appendix 16 of the Listing Rules. Such remuneration details are set out in Note VI.5(13) and Note X.6

The remuneration committee held one meeting during the reporting period. Remuneration of the Directors and the senior management and share appreciation rights scheme were the main issues discussed at the meeting. The following table shows the record of attendance of the remuneration committee members:

Remuneration committee member	Attendances at the meetings held during the year ended 31 December 2013
Pao Ping Wing	1/1
Gao Yucai	1/1
Liu Chunru	1/1

e. *Nomination committee*

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

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

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

During the reporting period, the Company held two nomination committee meetings. Changes of the senior management were the main issues discussed at such meetings. The following table shows the record of attendance of the nomination committee members:

Nomination committee member	Attendances at the meetings held during the year ended 31 December 2013
Ding Rongjun	2/2
Pao Ping Wing	2/2
Liu Chunru	2/2

Corporate Governance Report

f. Corporate governance functions

The Board is responsible for the following corporate governance functions:

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

The Board adopted the Board Diversity Policy and adopted the amended terms of reference of the Nomination Committee on 11 October 2013.

IV Chairman and General Manager

The offices of the Chairman and the general manager of the Company are held by different persons. Mr. Ding Rongjun is the Chairman and Mr. Li Donglin is the general manager of the Company. The division of responsibilities between them has been clearly established and set out in writing. The Chairman is responsible for leadership of the Board and chairing Board meetings while the general manager is responsible for the Company's day-to-day operations.

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

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

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

- (1) to be in charge of the Company's production, operation and management and to organise the implementation of Board's resolutions;
- (2) to organise the implementation of the Company's annual business plan and investment plan;
- (3) to establish plans for establishment of the Company's internal management structure;
- (4) to establish the Company's basic management system;
- (5) to formulate the basic rules and regulations of the Company;
- (6) to propose the appointment or removal of vice general manager, chief officers and assistants to the general manager of the Company;

- (7) to appoint or remove management personnel other than those required to be appointed or removed by the Board; and
- (8) to draft plans for the wages, benefits, incentives and punishments of employees, to determine the appointment and removal, promotion and demotion, salary increment and decrement, appointment, employment, termination of employment of employees.

V Non-executive Directors

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

VI Board diversity policy

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

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

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

VII Nomination of Directors

Directors are elected at shareholders' general meetings in accordance with the Articles. Written notice of intention to nominate a candidate for the post of Director and the candidate's agreement to be nominated must be given to the Company after the date of the notice of the general meeting and at least seven days prior to the holding of the general meeting.

VIII Remuneration of the Auditor

For the year ended 31 December 2013, the Company appointed Ernst & Young Hua Ming LLP (the "Ernst & Young Hua Ming") to provide annual results auditing and agreed upon procedure services in respect of the interim results to the Company. Ernst & Young Hua Ming also provided agreed upon procedure services in respect of quarterly continuing connected transactions and other services for the Company.

Corporate Governance Report

Details of the external auditor's remuneration of the Company are as follows:

	For the year ended 31 December 2013 (RMB'000)	
	Ernst & Young	Hua Ming
Service provided:		
Annual results auditing service		2,650
Agreed upon procedures services in respect of interim results		400
Agreed upon procedures service in respect of quarterly continuing connected transactions		200
Capital verification service for placement of shares		60
Comfort letter service		70

Note: The service fees for the above auditing and agreed upon procedures services are inclusive of out-of-pocket expenses such as accommodation and travelling expenses, etc..

IX Directors' Responsibilities in respect of the Financial Reports

The Directors confirm that they are responsible for the preparation of financial reports, and to give a true and fair view of the Company's and the Group's financial status and operating results for the year ended 31 December 2013.

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

X Company Secretary

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

Mr. Tang took no less than 15 hours of relevant professional training during the financial year ended 31 December 2013 as required under Rule 3.29 of the Listing Rules.

XI Constitution

For the year ended 31 December 2013, the Articles of the Company were amended. The amendments mainly relate to the scope of operation, equity structure and registered capital of the Company, details of which are set out in the Company's circular dated 30 August 2013, the Company's announcement dated 25 October 2013 and the latest Articles of Association of the Company published on 5 December 2013.

XII Internal Control

The Company has a sound organisation system of internal control. The Board is responsible for maintaining a reliable and effective internal control system. Guided by the audit committee and the risk management committee of the Board, the audit and risk management department carries out inspection, supervision and evaluation for internal controls of the Company and its subsidiaries in respect of important control functions such as financial control, operational control, compliance control and risk management, supervise and timely rectifies internal control deficiencies and controls risks. During the reporting period, the Company has established a “1+X” two-level audit institution to implement a group audit controlling model by way of “management concentration and business integration”.

The Company continues to strengthen internal control systems and further enhances its control capability through deepening internal control and risk management. At present, the Company has established sound internal control systems and business procedures management systems, which strengthen the control capability at the head office and optimize the control over business risk points. On this basis, the Company implements annual internal control self-evaluation, specific internal control tests, internal control weakness rectification, risk database update, risk response and risk precaution works across the organization, thereby developing a constant mechanism for internal control and comprehensive risk management. During the reporting period, the Company has strengthened the prevention of major risk, which conducted special audit on economic contracts, financial revenues and expenditures, effectiveness, internal control and other respects, and implemented the whole-process supervision on procurement of materials and infrastructure constructions. The Company has established a risk management team of company-level, which further strengthened the internal control. The Company can constantly maintain and improve internal control and to ensure the Company’s timely response to changes in business and external environment from financial, operational and risk management perspectives, so as to safeguard the Company’s assets and interests of shareholders.

XIII Shareholders’ Rights

1. Convening extraordinary general meetings

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

2. Putting enquires to the Board

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

Corporate Governance Report

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

3. Putting proposals to general meetings

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

XIV Investor Relation

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

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

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

The Board is pleased to present the Directors' Report and the audited financial statements of the Group for the year ended 31 December 2013.

The Company's business activities

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

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

Business model and direction of strategy

The Company insists to adhere to the market-oriented principle of development and committed to creating sustainable value for the shareholders in order to achieve sustainable development for the Company. Sales revenue of products is the major source of income of the Company.

The key strategic development directions of the Company are as follows:

1. Achieve steady growth of our major businesses by conscientious work and commitment

In view of the State's railway network plan and accelerating urbanization of the PRC, construction of railway transportation will continue to enjoy a satisfactory growth space for development in the near future. Against this backdrop, the Company will grasp the opportunities arising to develop locomotive, electric multiple units and urban rail businesses at a steady pace, which will be the foundation for the sustainable growth of the Company in the long run.

2. Strengthen our capabilities and develop our new businesses to a sizable scale rapidly

We will strive to enhance the competitiveness of our new businesses through various means in a bid to grow such business to a sizable scale to seize the industry and market opportunities.

3. Seize the opportunities and make breakthroughs in our potential businesses

New development opportunities arise in new market segments created by reforms of the railway industry. With certain capabilities in developing such new segments, the Company will explore the opportunities brought by them and try to tap into the market by devising appropriate approaches so as to create new growth platforms for the sustainable development of the Company.

4. To achieve substantial results from our global operations with active planning

Our global operation strategy will be further refined and progressed with a concrete direction to materialize the targets in our "Twelfth Five-year Plan" for global operations.

Directors' Report

5. Enhance our management to attain higher efficiency

The Company believes that continuous improvement of management and operational efficiency are the cornerstone for the overall competitiveness of the Company. We will continue to attain higher efficiency to meet the needs of our growing and expanding business and development.

Results and dividends

Results of the Group for the year ended 31 December 2013, prepared in accordance with PRC Accounting Standards, are set out on page 51 to page 178 of this Annual Report.

The Company has profit attributable to shareholders (before proposed final dividend) of RMB3,745.6 million as at 31 December 2013. The Board proposed distribution of a cash dividend of RMB0.35 per share (applicable tax inclusive) for the year. The proposed dividend to be distributed is subject to the approval of the shareholders at the annual general meeting to be held on 27 June 2014.

In order to ascertain the entitlements of shareholders to attend the forthcoming annual general meeting to be held on 27 June 2014, the register of members of the Company will be temporarily closed from 28 May 2014 to 27 June 2014 (both days inclusive), during which no transfer of shares will be registered.

In order to ascertain the entitlements of the shareholders to receive the final dividend, the register of members of the Company will be temporarily closed from 4 July 2014 to 9 July 2014 (both days inclusive), during which no transfer of shares will be registered.

In respect of the distribution of dividends, dividends for domestic shares will be distributed and paid in Renminbi, while dividends for H shares will be declared in Renminbi and paid in Hong Kong Dollars (The Hong Kong Dollars equivalent shall be calculated at the average mid point exchange rate of Renminbi to Hong Kong Dollars announced by the People's Bank of China for five working days prior to the declaration of dividend at the 2013 annual general meeting to be held on 27 June 2014).

Financial Highlights

Fixed assets

Details of the changes in the fixed assets of the Group during the year are set out in Note V.13 to the financial statements.

Short-term borrowings

Details of the Group's short-term borrowings as at 31 December 2013 are set out in Note V.20 to the financial statements.

Long-term borrowings

Details of the Group's Long-term borrowings as at 31 December 2013 are set out in Note V.28 to the financial statements.

Share capital

During the reporting period, the number of issued shares of the Company was changed from 1,084,255,637 shares to 1,175,476,637 shares as a result of the placing of 91,221,000 new H Shares (the "Placing"). Details of movements in the share capital of the Company are set out in Note V.31 to the financial statements.

To supplement the working capital, the Company issued an announcement on 20 October 2013 (the "Announcement") to announce the allotment and issue by the Company of up to 91,221,000 new H Shares of RMB1.00 each (the "Placing Shares"), on the terms and subject to the conditions set out in the Placing Agreement (the "Placing Agreement"), representing approximately 20% of the existing number of H Shares in issue, being 456,108,400 H Shares as at 20 October 2013 and approximately 16.67% of the number of H Shares as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the Placing Shares under the Placing is RMB91,221,000.

The placing price of HKD25.0 per Placing Share (exclusive of brokerage, Stock Exchange trading fees and SFC transaction levy) represents a discount of approximately 8.76% to the closing price of HKD27.4 per H Share as quoted on the Stock Exchange on 18 October 2013, being the last trading day before the publication of the Announcement. The net placing price (after deduction of the commissions and expenses relating to the Placing) is approximately HKD24.6 per Placing Share.

The Placing was completed on 25 October 2013, and the Placing Shares were placed to not less than six nor more than ten places who were independent professional, institutional and other investors who and whose ultimate beneficial owners were not connected with the Company, connected persons of the Company and any of the Directors, chief executive or substantial Shareholder(s) of the Company or any of its subsidiaries or their respective associates.

The aggregate gross proceeds from the Placing were approximately HKD2,280,525,000. The net proceeds (after deduction of the related commissions and expenses) from the Placing were intended to be used to procure raw materials and machinery equipment in accordance with the Company's development strategy and for general corporate purposes.

Share appreciation rights scheme

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

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

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

Directors' Report

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

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

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

The proposed grant of an aggregate of approximately 9,868,000 units of SARs to a total of up to 262 Eligible Recipients, subject to the satisfaction of the granting conditions, was approved by the shareholders of the Company at the 2012 AGM. For details of the Scheme, please refer to the Circular .

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

Stock options of Dynex

Dynex adopted a stock option plan (the "Plan") for the purpose of developing the interest and incentive of eligible participants in the growth and development of Dynex and increasing the ability of Dynex to attract and retain skilled and motivated individuals. Participation in the Plan is limited to directors of Dynex, officers and full time permanent or contract employees of Dynex or its subsidiaries, and consultants engaged to provide ongoing bona fide consulting services to Dynex (collectively, the "Participants"). The Plan was adopted on 4 June 2002 and, unless otherwise discontinued or amended, will remain in force for a period of 10 years therefrom. The Plan expired on 3 June 2012.

The maximum number of common shares of Dynex which may be issued under the Plan (the "Option Shares") (subject to adjustment as provided therein) shall not exceed 2,657,316 shares, representing 3.30% of the issued share capital of Dynex as at 31 December 2012. The aggregate number of Option Shares which may be issued to insiders (as defined in the Plan) of Dynex shall not exceed 10% of the number of issued common shares of Dynex immediately prior to any issuance of options under the Plan or any issuance of Option Shares, as the case may be, excluding Option Shares issued pursuant to the Plan during the preceding one year period (the "Issued Option Shares"). The aggregate number of Option Shares which may be issued to insiders of Dynex within any one year period shall not exceed 10% of the Issued Option Shares. The number of Option Shares which may be issued to any one Participant and its associates (as defined in the Plan) within any one year period shall not exceed 5% of the Issued Option Shares. The number of Option Shares which may be issued to any one Participant shall not exceed 5% of the Issued Option Shares.

The price at which the option shares may be purchased (the "Exercise Price") under the Plan (subject to adjustment as provided therein) is determined by the remuneration committee appointed by the board of directors of Dynex (the "Committee"). The Exercise Price is based upon the closing market price of the common shares of Dynex on the applicable stock exchange on the trading day prior to the date of grant of options or an average of the market price of the common shares of Dynex acceptable to the applicable regulatory authorities.

The limitation period or period(s) for exercise and the vesting period(s) of the option shares granted is also determined by the Committee, which may not exceed five years from the date of grant. Generally, options granted under the Plan vest evenly over a three-year period commencing one year from the date of grant and expire five years from the date of grant. Options granted under the Plan are not assignable or transferable.

An option holder may purchase all or a portion of the Option Shares granted by payment in full of the purchase price for such Option Shares. Option Shares do not confer on the holders any rights as shareholders of Dynex until full payments for such Option Shares have been made and share certificates have been duly issued.

During the reporting period, except for 50,000 options being lapsed, no option was granted, exercised or cancelled under the Plan. As of 31 December 2013, all the options granted by Dynex under the Plan were exercised or lapsed and there were no outstanding option. The following table shows the outstanding options held by the Participants under the Plan:

Category of participants	Grant date	Expiry date	Exercise price per Option Share	Number of options outstanding as at 1 January 2013	Number of options lapsed during the year	Number of options outstanding as at 31 December 2013
Directors of Dynex	14 February 2008	13 February 2013	CAD0.30	50,000	(50,000)	—
Total				50,000	(50,000)	—

Notes:

- (1) All outstanding options are fully vested.
- (2) Outstanding options were lapsed on 14 February 2013.
- (3) The closing price of the shares of Dynex immediately before 14 February 2008 on which date options were granted to its directors was CAD0.30.

Directors' share plan of Dynex

Dynex also adopted a directors' share plan in 2002 under which directors who are not employees or officers of Dynex or its subsidiaries are entitled to receive some or all of their remuneration in the form of common shares of Dynex. When taking their director's fees in this way, the issue price of the shares is taken as the average trading price of the first 20 days of the year to which the fees relate. A total of 1,830,330 shares of Dynex have been issued under this plan since adoption.

Pre-emptive rights

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

Purchase, redemption or sale of listed securities of the Company

On 25 October 2013, the Company completed the placement of 91,221,000 H shares and such shares were placed to not less than six nor more than ten placees at the placing price of HKD25.0 per share. For details of share placement, please refer to the announcements of the Company dated 20 October 2013, 21 October 2013 and 25 October 2013.

Save as disclosed above, during the year, there was no purchase, redemption or sale of any listed securities of the Company by the Company or any of its subsidiaries.

Shareholders' equity

Save as disclosed above, details of the changes in the shareholders' equity of the Company and the Group during the year are set out in the statement of changes in equity and the consolidated statement of changes in equity respectively.

Directors' Report

Profit distributable to shareholders

As at 31 December 2013, the Company's profit distributable to shareholders calculated in accordance with relevant regulations amounted to approximately RMB3,745.6 million, of which RMB411.4 million has been proposed to be paid as final dividend for the year.

Major customers and suppliers

The percentage of revenue for sales of goods attributable to the Group's five largest customers during the year was approximately 52.4% of the Group's total revenue.

CSR Zhuzhou is the largest customer of the Group, and the percentage of the Group's revenue attributable to sale to CSR Zhuzhou during the year was approximately 23.1% of the Group's total revenue. It is owned as to 100% by CSR.

CSR Sifang is one of the Group's five largest customers. It is owned as to 97.81% by CSR.

CSR Sifang Rolling Stock Co., Ltd. is also one of the Group's five largest customers. It is owned as to 100% by CSR.

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

The percentage of purchases attributable to the Group's five largest suppliers during the year was approximately 31.9% of the Group's total purchases.

Shiling is the largest supplier of the Group, and the percentage of the Group's purchase attributable to purchase from Shiling during the year was approximately 9.5% of the Group's total purchases.

CSR Sifang is one of the Group's five largest suppliers. It is owned as to 97.81% by CSR.

Kunming China Railway is one of the Group's five largest suppliers. Mr. Ma Yunkun, the non-executive director of the Company, is the Chairman of the board and secretary of the Party of Kunming China Railway.

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

Directors and supervisors

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

Executive Directors

Ding Rongjun – Chairman of the Board

Deng Huijin – Vice Chairman of the Board (redesignated from non-executive Director to executive Director on 25 March 2014)

Li Donglin – general manager

Yan Wu (redesignated from non-executive Director to executive Director on 25 March 2014)

Non-executive Director

Ma Yunkun

Independent non-executive Directors

Gao Yucai

Chan Kam Wing, Clement

Pao Ping Wing

Liu Chunru

Supervisors

He Wencheng – Chairman of the Supervisory Committee

Pang Yiming – employee representative supervisor

Zhou Guifa – employee representative supervisor

Geng Jianxin – independent supervisor

Composition of the Supervisory Committee

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

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

Biographies of Directors and supervisors

Details of the biographies of the Directors and supervisors of the Company are set out on page 12 to page 19 of this Annual Report.

Posts held by Directors, supervisors and senior management

Details of posts held by Directors, supervisors and senior management of the Company in units of substantial shareholders and other units are set out in page 12 to page 19 of this annual report.

Service contracts with Directors and supervisors

The Company has entered into service contracts with all Directors and supervisors for a term of three years except Messrs. Deng Huijin and Yan Wu whose terms were commenced from 25 March 2014 and ended at the conclusion of the annual general meeting of the Company for the year 2013 ("AGM"). The service contracts with all Directors and supervisors shall continue for a term of three years or for a shorter period as may be decided upon at the respective re-elections of the Directors and supervisors at the general meeting or the employees' representative committee meeting of the Company (as the case may be). Notice of termination of service contracts given by any party shall not be less than three months.

Directors' Report

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

Directors' and supervisors' interests in contracts

During the year and as at 31 December 2013, none of the Directors nor supervisors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding Company or any of its subsidiaries was a party.

Directors' interests in competing business

During the year and as at 31 December 2013, none of the Directors, directly or indirectly, have interests in any business which competes or may compete with the business of the Company and/or its subsidiaries.

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

Other than the stock option plan and the directors' share plan of Dynex set out above, as at 31 December 2013, none of the Directors, supervisors and the general manager of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or any interests or short positions in the shares required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or any personal, family, corporate or other interests or short positions required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' and supervisors' rights to acquire shares or debentures

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

Employees and remuneration policy

The Group's remuneration policy for its employees takes into account the individuals' work performance, qualifications and competence. The Group rewards employees having outstanding performance with salary increments and bonuses. The bonus plan is discretionary and is determined by the Directors with reference to the performance of the staff and the Group's operation results. The Group places great emphasis on the provision of on-the-job-training and development of its employees. Each staff member is required to participate in trainings organised by the Group and its department prior to the commencement of his or her employment. The Company formulates training plans according to its staff position and development needs and releases its annual training plan at the beginning of year pursuant to which all departments need to organise staff training. The management and other employees are required to undertake training for enhancing work ability as specified by the Group. The Company has established channels for career development of employees. Employees have opportunities of promotion and development according to the orders of different positions within the Company. As at 31 December 2013, the Group had 5,785 full time employees, and the total amount of remuneration (including salaries and allowances) for employees in 2013 was approximately RMB857.6 million.

The remuneration of Directors and supervisors is proposed by the Board and subject to approval by shareholders of the Company at the general meetings, taking into consideration their respective experience, level of responsibilities within the Group, performance of the Company as well as remuneration benchmark in the industry and the market situation. Details of the remunerations of Directors and supervisors are set out in Note X.6 to the financial statements.

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

Dynex has adopted a stock option plan as an incentive to eligible participants and a directors' share plan to help attract and retain qualified individuals to serve on its board as eligible directors. Details of the plans are set out in the paragraphs headed "Stock Options of Dynex" and "Directors' Share Plan of Dynex" above.

Structure of share capital

The Company's share capital structure as at 31 December 2013 was as follows:

As at 31 December 2013			
Shareholder	Type	Number of shares	Approximate % of issued share capital
CSR ZELRI	Domestic share	589,585,699	50.16%
Qishuyan Works	Domestic share	9,380,769	0.80%
CSR Investment & Leasing	Domestic share	9,380,769	0.80%
CSR Zhuzhou	Domestic share	10,000,000	0.85%
Kunming China Railway	Domestic share	9,800,000	0.83%
Shares in public circulation	H share	547,329,400	46.56%
Total		1,175,476,637	100%

Directors' Report

Substantial shareholders

Interests and short positions in the shares and relevant underlying shares of the Company or any of its associated corporations pursuant to the disclosure requirements in Divisions 2 and 3 of Part XV of the SFO as at 31 December 2013 were as follows:

Name of substantial shareholder	Number of shares held	Capacity	Approximate % of Domestic Share share capital	Approximate % of H Share share capital	Approximate % of issued share capital
CSR ZELRI	589,585,699 (Long position)	Beneficial owner	93.86%	—	50.16%
CSR (Note 1)	608,966,468 (Long position)	Interest in controlled entity	96.95%	—	51.81%
CSRG (Note 2)	618,347,237 (Long position)	Interest in controlled entity	98.44%	—	52.60%
BlackRock, Inc. (Note 3)	48,084,776 (Long position)	Interest in controlled entity	—	8.79%	4.09%
	151,000 (Short position)	Interest in controlled entity	—	0.03%	0.01%
Lazard Asset Management LLC	28,453,000 (Long position)	Investment manager	—	5.20%	2.42%
JPMorgan Chase & Co. (Note 4)	2,045,007 (Long position)	Beneficial owner	—	0.37%	0.17%
	1,000,000 (Short position)	Beneficial owner	—	0.18%	0.09%
	1,936,000 (Long position)	Investment manager	—	0.35%	0.16%
	29,228,611 (Long position)	Custodian/ Approved lending agent	—	5.34%	2.49%
The Capital Group Companies, Inc. (Note 5)	32,549,000 (Long position)	Interest in controlled entity	—	5.95%	2.77%
GIC Private Limited	31,517,700 (Long position)	Investment manager	—	5.76%	2.68%
Fortis Investment Management SA (Note 6)	23,544,000 (Long position)	Investment manager	—	4.30%	2.00%

Notes:

- (1) CSR is interested in 100% in the registered capital of CSR ZELRI, CSR Zhuzhou and CSR Investment & Leasing. Accordingly, CSR is deemed under the SFO to be interested in the shares held by each of CSR ZELRI, CSR Zhuzhou and CSR Investment & Leasing.
- (2) CSRG is directly and indirectly interested in 57.16% of the issued shares of CSR, and is directly interested in 100% in the registered capital of Qishuyan Works. Accordingly, CSRG is deemed under the SFO to be interested in the shares held by each of CSR and Qishuyan Works.

- (3) As stated in the corporate substantial shareholders notification filed in by BlackRock, Inc., it has another 134,000 H shares which are long positions in underlying shares under equity derivative interests and 41,000 H shares which are short positions in underlying shares under equity derivative interests. BlackRock, Inc. holds its interests in the shares of the Company (including underlying shares under equity derivative interests) through its wholly-owned corporations.
- (4) As stated in the corporate substantial shareholders notification filed in by JPMorgan Chase & Co, it holds interests in the shares of the Company through its wholly-owned corporations.
- (5) As stated in the corporate substantial shareholders notification filed in by The Capital Group Companies, Inc., it holds interests in the shares of the Company through its wholly-owned corporations.
- (6) As stated in the corporate substantial shareholders notification filed in by Fortis Investment Management SA, it holds interests in the shares of the Company through its wholly-owned corporations.

Continuing connected transactions

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

Non-exempt continuing connected transactions

The following transactions constitute non-exempt continuing connected transactions of the Group and thus are subject to reporting, announcement and independent shareholders' approval requirements under Rule 14A.45 to 14A.48 of the Listing Rules.

Mutual supply of products with the CSR Group

On 4 December 2006, the Company signed a mutual supply agreement with CSR Group under which the Company agreed to supply and procure its subsidiaries to supply train-borne electrical systems and electrical components of different segments to the CSR Group while the CSR Group agreed to supply and procure its subsidiaries (excluding the Parent Group) to supply certain parts and components for the production of train-borne electrical systems to the Group. The agreement is valid for three years from 20 December 2006 (the Company's listing date) to 31 December 2008.

On 28 April 2008, the Company signed a renewed mutual supply agreement (the "CSR Renewed Agreement") with CSR Group, confirming the annual caps for continuing connected transactions between the Group and the CSR Group (including the Parent Group) during each of the five financial years from 2009 to 2013. The CSR Renewed Agreement and the revised annual caps were approved by the independent shareholders of the Company at the extraordinary general meeting held on 27 June 2008.

On 14 April 2009, the Company entered into a supplemental agreement to the CSR Renewed Agreement (the "CSR First Supplemental Agreement") with CSR Group to revise the annual caps of continuing connected transactions for each of the five years from 2009 to 2013 contemplated under the CSR Renewed Agreement. The CSR First Supplemental Agreement and the revised annual caps of continuing connected transactions for each of the five financial years from 2009 to 2013 were approved by independent shareholders of the Company at the extraordinary general meeting held on 23 June 2009.

On 25 March 2011, the Company further entered into a supplemental agreement to the CSR Renewed Agreement (as supplemented by the CSR First Supplemental Agreement) (the "CSR Second Supplemental Agreement") with CSR Group to, among others, revise the annual caps of continuing connected transactions for the three financial years from 1 January 2011 to 31 December 2013. The CSR Second Supplemental Agreement and the revised annual caps have obtained the approval of the independent shareholders of the Company at the extraordinary general meeting held on 10 June 2011.

Directors' Report

In view of the expiry of the CSRG Renewed Agreement (as supplemented by the CSRG First Supplemental Agreement and the CSRG Second Supplemental Agreement) on 31 December 2013, on 12 August 2013, the Company entered into the 2014-16 CSRG Mutual Supply Agreement (the "2014-16 CSRG Mutual Supply Agreement") with CSRG under which the Company agreed to supply and procure its subsidiaries to supply certain products, parts and components, technical services, after-sale services, management services and other related services, and related facilities for research and development, production and testing purposes to the CSRG Group (including the Parent Group but excluding the Group) while the CSRG agreed to supply and procure its subsidiaries (including the Parent Group but excluding the Group) to supply certain parts and components, technical services, after-sale services, management services and other related services, and related facilities for research and development, production and testing purposes to the Group. The 2014-16 CSRG Mutual Supply Agreement is valid for three years from 1 January 2014 to 31 December 2016. Please refer to the Company's announcement dated 12 August 2013 and the Company's circular dated 30 August 2013 for the relevant details.

For the year ended 31 December 2013, the amount payable by the Group to the CSRG Group for the products and services supplied by the CSRG Group under the CSRG Renewed Agreement (as supplemented by the CSRG First Supplemental Agreement and the CSRG Second Supplemental Agreement) amounted to RMB1,203 million, and the amount payable by the CSRG Group to the Group for the products and services supplied by the Group under the CSRG Renewed Agreement (as supplemented by the CSRG First Supplemental Agreement and the CSRG Second Supplemental Agreement) amounted to RMB4,852 million, both are within the annual caps of continuing connected transactions for the year ended 31 December 2013 approved by independent shareholders of the Company at the extraordinary general meeting held on 10 June 2011.

Annual review of continuing connected transactions

The Board has engaged the auditor of the Company to perform certain procedures in respect of the continuing connected transactions of the Group. The auditor has reported the results in respect of the continuing connected transactions to the Board in accordance with the Rule 14A.38 of the Listing Rules. The Directors (including independent non-executive Directors) have reviewed and confirmed that the continuing connected transactions of the Group:

- (1) are entered into in the ordinary and usual course of business of the Group;
- (2) are entered into on normal commercial terms or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available to or from (as appropriate) independent third parties;
- (3) are conducted in accordance with the agreements governing such transactions, and the terms are fair, reasonable and in the interests of the Company and the Company's shareholders as a whole; and
- (4) did not exceed the total annual caps for 2013 approved at the extraordinary general meeting held by the Company on 10 June 2011.

Related party transactions

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

Connected transactions

On 5 December 2013, the Group entered into certain transfer agreements with ZNERCC pursuant to which ZNERCC agreed to transfer the target assets and technologies to the Group for a total consideration of approximately RMB36.6 million. For details, please refer to the Company's announcement dated 5 December 2013.

On 30 December 2013, the Company entered into an entrustment agent agreement with the Industrial and Commercial Bank of China Ltd. ("ICBC") and an entrustment loan agreement with ICBC and the Parent Company, respectively. ICBC, at the request of and acting as a lending agent to the Company, agreed to provide an entrusted loan with an amount of RMB500.0 million to the Parent Company. The entrusted loan was drawn down in a single tranche on 31 December 2013. For details, please refer to the Company's announcement dated 30 December 2013.

Mechanism for protecting non-controlling interests

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

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

Directors' Report

Non-competition and indemnity deeds

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

The independent non-executive Directors have reviewed the compliance issue of the non-competition and indemnity deeds with the Parent Group and the CSRG Group (excluding the Parent Group) for year ended 31 December 2013, and reviewed relevant information provided by the Parent Group and the CSRG Group (excluding the Parent Group). The independent non-executive Directors were of the opinion that the Parent Group and the CSRG Group (excluding the Parent Group) complied with the relevant terms of the non-competition and indemnity deeds in 2013. The Parent Group and the CSRG Group (excluding the Parent Group) carried on their respective businesses independent of the Company's businesses, having different technology applications and different customers, which were not in competition with the Company. The Board of Directors operated and managed the Company's businesses independently in the interests of the Company and its shareholders as a whole.

Sufficiency of public float

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

Subsequent Events

On 25 March 2014, the 13th meeting of the third session of the Board of the Company approved the profit distribution plan for 2013 to distribute cash dividends of RMB411,416,823 in total to all shareholders, equivalent to the distribution of RMB0.35 per share (tax inclusive) based on the total number of 1,175,476,637 shares of the Company.

Taxation

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

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

The proposed dividend to be distributed is subject to the approval of the shareholders at the annual general meeting to be held on 27 June 2014.

Save as disclosed above, for the year ended 31 December 2013, no foreign shareholder who is non-PRC resident is liable to individual or corporate income tax, capital gains tax, stamp duty or estate duty of the PRC in relation to their holding of H shares of the Company. Shareholders are urged to consult their tax advisers regarding the applicable PRC and Hong Kong tax laws and other tax consequences of owning and disposing of H shares of the Company.

Auditor

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

By order of the Board

Ding Rongjun

Chairman of the Board

Zhuzhou, Hunan, PRC

25 March 2014

Supervisory Committee's Report

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

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

1. During the year, the Company held two Supervisory Committee meetings. The notices, convening, holding and passing of resolutions of the meetings were in compliance with the requirements of the relevant laws and regulations and the Articles. Areas of review mainly included the 2012 working report of the Supervisory Committee, the 2012 financial report, the 2012 annual report, the 2013 interim report and connected transactions.
2. During the year, members of the Supervisory Committee attended all general meetings and Board meetings of the Company in person or by ways of telecommunication.

II. Independent opinion of the Supervisory Committee

1. The Company carried on its operations lawfully

In 2013, in accordance with applicable laws and regulations, the Supervisory Committee reviewed the procedures adopted in the convening, passing of resolutions, decision-making procedures, results of voting of the Company's general meetings and the Board meetings, implementation of resolutions of general meetings by the Board, the performance of duties of senior management and the management system of the Company. The Supervisory Committee is of the opinion that the Directors and senior management of the Company had diligently performed their responsibilities in good faith and in compliance with the applicable laws and regulations. During the reporting period, there were no breaches of laws or regulations which were materially prejudicial to the Company or the interests of shareholders.

2. Financial reports give a true and accurate view

The Supervisory Committee thoroughly reviewed the Group's financial system and financial position. The Supervisory Committee considers the Group's 2013 financial report is true and accurate and presents the financial position and operating results fairly, and that the audit opinion and other relevant comments made by Ernst & Young Hua Ming are also true and fair.

3. Connected transactions

The Supervisory Committee considers that the connected transactions between the Group and the CSR Group during the year were entered into in the ordinary and usual course of our business. The transactions were on the principles of openness, fairness and reasonableness and were entered into in the interests of the Group and the shareholders as a whole. After its review, the Supervisory Committee considers that the Group's transactions in 2013 were in compliance with the relevant laws and regulations of the PRC and is not aware of any impairment to the Company's and shareholders' interest by means of connected transactions, and the total value of continuing connected transactions under the CSR Renewed Agreement (as supplemented by the CSR First Supplemental Agreement and the CSR Second Supplemental Agreement) was within the 2013 aggregate annual caps approved by the independent shareholders at the extraordinary general meeting held on 10 June 2011.

4. The implementation of non-competition and indemnity deeds

The Supervisory Committee is of the opinion that during the year, the Parent Group and the CSR Group (excluding the Parent Group) had complied with the terms of the non-competition and indemnity deeds, performed their undertakings, and had not entered into businesses in competition with the Group's businesses.

5. The implementation of resolutions of the general meeting

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

He Wencheng

Chairman of the Supervisory Committee

Zhuzhou, Hunan, PRC

25 March 2014

Auditors' Report

(English translation for reference only)



Ernst & Young Hua Ming LLP
Level 16, Ernst & Young Tower
Oriental Plaza
No. 1 East Chang An Avenue
Dong Cheng District
Beijing, China 100738

安永华明会计师事务所（特殊普通合伙）
中国北京市东城区东长安街1号
东方广场安永大楼16层
邮政编码: 100738

Tel 电话: +86 10 5815 3000
Fax 传真: +86 10 8518 8298
ey.com

Ernst & Young Hua Ming (2014) Shen Zi No. 60467257_A01

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

We have audited the accompanying financial statements of Zhuzhou CSR Times Electric Co., Ltd., which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated and company statements of profit or loss, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

2. AUDITORS' RESPONSIBILITY

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

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

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

3. OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and company financial position of Zhuzhou CSR Times Electric Co., Ltd. as at 31 December 2013 and the consolidated and company financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Zhang Ningning

Chinese Certified Public Accountant: Liu Xin

Beijing, the People's Republic of China

25 March 2014

Consolidated Statement of Financial Position

31 December 2013

Renminbi Yuan

ASSETS	Note V	31 December 2013	31 December 2012 (Restated)
CURRENT ASSETS			
Cash and bank balances	1	3,136,090,686	2,318,915,451
Bills receivable	2	2,213,628,831	890,637,187
Trade receivables	3	2,693,866,426	2,737,063,058
Prepayments	4	98,175,195	87,946,123
Other receivables	5	58,087,799	54,126,114
Inventories	6	1,428,041,311	1,109,921,460
Non-current assets due within one year	10	609,036	1,163,640
Other current assets	7	84,179,832	3,264,824
Held-to-maturity investments	8	1,100,000,000	—
Total current assets		10,812,679,116	7,203,037,857
NON-CURRENT ASSETS			
Financial assets available-for-sale	9	900,000	400,000
Long-term receivables	10	31,660,131	609,036
Long-term equity investments	12	232,953,448	255,024,853
Fixed assets	13	1,595,275,624	1,454,471,457
Construction in progress		235,123,615	248,507,584
Intangible assets	14	233,054,144	210,266,744
Development expenditure	14	60,690,061	51,855,957
Goodwill	15	13,770,533	60,776,186
Deferred tax assets	16	129,399,467	92,779,141
Other non-current assets	17	52,976,184	79,729,478
Total non-current assets		2,585,803,207	2,454,420,436
TOTAL ASSETS		13,398,482,323	9,657,458,293

The notes set out on page 64 to page 178 are components of these financial statements.

Consolidated Statement of Financial Position

31 December 2013

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2013	31 December 2012 (Restated)
CURRENT LIABILITIES			
Short-term borrowings	20	31,172,421	—
Bills payable	21	928,918,770	713,768,911
Trade payables	22	1,749,671,703	1,273,648,373
Receipts in advance	23	388,087,463	291,978,737
Employee benefits payable	24	88,860,161	63,912,163
Taxes payable	25	199,377,520	356,194,164
Other payables	26	200,627,465	131,729,207
Non-current liabilities due within one year	27	233,800,674	202,220,874
Total current liabilities		3,820,516,177	3,033,452,429
NON-CURRENT LIABILITIES			
Long-term borrowings	28	52,179,757	28,336,915
Deferred tax liabilities	16	15,383,539	16,285,166
Provisions	29	209,494,751	131,327,630
Other non-current liabilities	30	150,787,851	129,227,463
Total non-current liabilities		427,845,898	305,177,174
Total liabilities		4,248,362,075	3,338,629,603
SHAREHOLDERS' EQUITY			
Share capital	31	1,175,476,637	1,084,255,637
Capital reserve	32	3,354,300,202	1,693,508,949
Special reserve		1,148,151	—
Surplus reserve	33	624,621,343	469,062,942
Retained earnings	34	3,882,348,394	2,957,924,478
Exchange fluctuation reserve		(21,995,965)	(20,660,520)
Total equity attributable to shareholders of the Parent		9,015,898,762	6,184,091,486
Non-controlling interests		134,221,486	134,737,204
Total shareholders' equity		9,150,120,248	6,318,828,690
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		13,398,482,323	9,657,458,293

The notes set out on page 64 to page 178 are components of these financial statements.

The financial statements are signed by the following persons:

Legal Representative:
Ding Rongjun

Chief Financial Officer:
Zhang Hua

Head of Accounting Department:
Liu Zehua

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

Renminbi Yuan

	Note V	2013	2012 (Restated)
Revenue	35	8,855,963,562	7,248,862,828
Less: Cost of sales	35	5,694,547,809	4,802,748,506
Business taxes and surcharges	36	75,281,302	62,809,993
Selling expenses		498,498,928	334,261,940
Administrative expenses	37	1,005,151,727	863,169,182
Finance costs	38	(27,487,384)	(9,162,690)
Asset impairment losses	39	8,149,479	11,183,891
Add: Investment income	40	12,578,234	98,674,730
including: share of profits and losses of associates and a joint venture	40	12,578,234	77,503,842
Operating profit		1,614,399,935	1,282,526,736
Add: Non-operating income	41	90,254,941	122,410,654
Less: Non-operating expenses	42	1,074,718	1,156,129
including: loss on disposal of non-current assets	42	713,310	605,759
Total profit	43	1,703,580,158	1,403,781,261
Less: Income tax expense	44	237,355,271	178,591,908
Net profit		1,466,224,887	1,225,189,353
Including: the acquiree's net profit before a business combination involving an enterprise under common control		1,682,415	2,679,146
Net profit attributable to shareholders of the Parent		1,467,020,759	1,223,789,341
Non-controlling interests		(795,872)	1,400,012
Earnings per share (Yuan/Share)	45		
Basic		1.33	1.13
Diluted		1.33	1.13
Other comprehensive income/(losses)	46		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange fluctuation reserve		(1,096,328)	11,414,278
Total comprehensive income		1,465,128,559	1,236,603,631
Including:			
Total comprehensive income attributable to shareholders of the Parent		1,465,685,314	1,232,890,138
Total comprehensive income attributable to non-controlling interests		(556,755)	3,713,493

The notes set out on page 64 to page 178 are components of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

Renminbi Yuan

	Attributable to shareholders of the Parent							Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Exchange fluctuation reserve	Sub-total		
2013									
I. Closing balance of last year	1,084,255,637	1,693,508,949	—	469,062,942	2,952,057,924	(20,660,520)	6,178,224,932	134,737,204	6,312,962,136
Add: A business combination involving an enterprise under common control	—	—	—	—	5,866,554	—	5,866,554	—	5,866,554
II. At beginning of the year	1,084,255,637	1,693,508,949	—	469,062,942	2,957,924,478	(20,660,520)	6,184,091,486	134,737,204	6,318,828,690
III. Movements during the year									
(i) Net profit	—	—	—	—	1,467,020,759	—	1,467,020,759	(795,872)	1,466,224,887
(ii) Other comprehensive income									
1. Exchange differences on translation of foreign operations	—	—	—	—	—	(1,335,445)	(1,335,445)	239,117	(1,096,328)
Total comprehensive income	—	—	—	—	1,467,020,759	(1,335,445)	1,465,685,314	(556,755)	1,465,128,559
(iii) Capital contribution and withdrawal by shareholders									
1. Capital contribution by shareholders	91,221,000	1,684,727,555	—	—	—	—	1,775,948,555	41,037	1,775,989,592
2. A business combination involving an enterprise under common control (Note IV.4)	—	(23,936,302)	—	—	(7,548,969)	—	(31,485,271)	—	(31,485,271)
(iv) Profit appropriation									
1. Transfer to surplus reserve	—	—	—	155,558,401	(155,558,401)	—	—	—	—
2. Dividend paid	—	—	—	—	(379,489,473)	—	(379,489,473)	—	(379,489,473)
(v) Special reserve									
1. Accrued during the year	—	—	17,064,525	—	—	—	17,064,525	691,553	17,756,078
2. Paid during the year	—	—	(15,916,374)	—	—	—	(15,916,374)	(691,553)	(16,607,927)
IV. Closing balance	1,175,476,637	3,354,300,202	1,148,151	624,621,343	3,882,348,394	(21,995,965)	9,015,898,762	134,221,486	9,150,120,248

The notes set out on page 64 to page 178 are components of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

Renminbi Yuan

	Attributable to shareholders of the Parent							Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Exchange fluctuation reserve	Sub-total		
2012 (Restated)									
I. Closing balance of last year	1,084,255,637	1,693,508,949	—	350,134,445	2,218,523,143	(29,761,317)	5,316,660,857	121,023,711	5,437,684,568
Add: A business combination involving an enterprise under common control	—	—	—	—	3,187,408	—	3,187,408	—	3,187,408
II. At beginning of the year	1,084,255,637	1,693,508,949	—	350,134,445	2,221,710,551	(29,761,317)	5,319,848,265	121,023,711	5,440,871,976
III. Movements during the year									
(i) Net profit	—	—	—	—	1,223,789,341	—	1,223,789,341	1,400,012	1,225,189,353
(ii) Other comprehensive income									
1. Exchange differences on translation of foreign operations	—	—	—	—	—	9,100,797	9,100,797	2,313,481	11,414,278
Total comprehensive income	—	—	—	—	1,223,789,341	9,100,797	1,232,890,138	3,713,493	1,236,603,631
(iii) Capital contribution and withdrawal by shareholders									
1. Capital contribution by non-controlling shareholders	—	—	—	—	—	—	—	10,000,000	10,000,000
(iv) Profit appropriation									
1. Transfer to surplus reserve	—	—	—	118,928,497	(118,928,497)	—	—	—	—
2. Dividend paid	—	—	—	—	(368,646,917)	—	(368,646,917)	—	(368,646,917)
(v) Special reserve									
1. Accrued during the year	—	—	16,343,027	—	—	—	16,343,027	—	16,343,027
2. Paid during the year	—	—	(16,343,027)	—	—	—	(16,343,027)	—	(16,343,027)
IV. Closing balance	<u>1,084,255,637</u>	<u>1,693,508,949</u>	<u>—</u>	<u>469,062,942</u>	<u>2,957,924,478</u>	<u>(20,660,520)</u>	<u>6,184,091,486</u>	<u>134,737,204</u>	<u>6,318,828,690</u>

The notes set out on page 64 to page 178 are components of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

Renminbi Yuan

	Note V	2013	2012 (Restated)
1. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		6,691,028,433	5,174,435,769
Refunds of taxes		111,668,832	112,419,706
Cash received relating to other operating activities		93,631,394	127,714,524
Sub-total of cash inflows from operating activities		6,896,328,659	5,414,569,999
Cash paid for goods and services		(3,209,679,092)	(1,967,407,627)
Cash paid to and on behalf of employees		(839,976,632)	(706,866,116)
Cash paid for all types of taxes		(1,255,986,959)	(698,138,024)
Cash paid relating to other operating activities		(864,700,464)	(795,469,634)
Sub-total of cash outflows from operating activities		(6,170,343,147)	(4,167,881,401)
Net cash flows from operating activities	47	725,985,512	1,246,688,598
2. Cash flows from investing activities:			
Cash received from disposal or returns of investments		400,000	1,101,000,000
Cash received from returns on investments		34,649,639	62,353,645
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,864,793	21,367,335
Cash received relating to other investing activities		31,890,000	41,811,300
Sub-total of cash inflows from investing activities		71,804,432	1,226,532,280
Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets		(298,167,639)	(403,311,025)
Cash paid for acquisition of investments		(1,100,900,000)	(807,250,000)
Sub-total of cash outflows from investing activities		(1,399,067,639)	(1,210,561,025)
Net cash flows from/(used in) investing activities		(1,327,263,207)	15,971,255

The notes set out on page 64 to page 178 are components of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

Renminbi Yuan

	Note V	2013	2012 (Restated)
3. Cash flows from financing activities:			
Cash received from capital contribution		1,775,989,592	10,000,000
including: cash received from non-controlling shareholders of subsidiaries		41,037	10,000,000
Cash received from borrowings		66,248,385	8,008,862
Sub-total of cash inflows from financing activities		1,842,237,977	18,008,862
Cash repayment of short-term bonds		—	(500,000,000)
Cash repayment of borrowings		(37,570,461)	(140,030,455)
Cash paid for distribution of dividend or profits and for interest expenses		(382,274,733)	(397,069,864)
Sub-total of cash outflows from financing activities		(419,845,194)	(1,037,100,319)
Net cash flows from/ (used in) financing activities		1,422,392,783	(1,019,091,457)
4. Effect of foreign exchange rate changes on cash and cash equivalents		—	—
5. Net increase in cash and cash equivalents		821,115,088	243,568,396
Add: cash and cash equivalents at beginning of year		2,297,286,786	2,053,718,390
6. Cash and cash equivalents at end of year	47	3,118,401,874	2,297,286,786

The notes set out on page 64 to page 178 are components of these financial statements.

Statement of Financial Position

31 December 2013

Renminbi Yuan

ASSETS	Note XI	31 December 2013	31 December 2012
CURRENT ASSETS			
Cash and bank balances		2,763,730,041	1,956,420,369
Bills receivable		2,087,270,773	790,339,052
Trade receivables	1	2,391,641,239	2,345,629,354
Dividends receivable		50,000,000	—
Prepayments		92,290,607	36,927,671
Other receivables	2	385,001,431	383,481,912
Inventories		1,095,465,119	849,777,843
Non-current assets due within one year		609,036	1,163,640
Other current assets		73,832,214	—
Held-to-maturity investments		1,100,000,000	—
Total current assets		10,039,840,460	6,363,739,841
NON-CURRENT ASSETS			
Financial assets available-for-sale		900,000	—
Long-term receivables		22,720,364	609,036
Long-term equity investments	3	1,024,002,177	991,710,164
Fixed assets		1,037,731,897	927,616,543
Construction in progress		225,999,737	228,380,979
Intangible assets		96,437,118	98,052,785
Development expenditure		28,661,784	24,153,369
Deferred tax assets		111,268,479	87,818,452
Other non-current assets		49,088,132	67,258,522
Total non-current assets		2,596,809,688	2,425,599,850
TOTAL ASSETS		12,636,650,148	8,789,339,691

The notes set out on page 64 to page 178 are components of these financial statements.

Statement of Financial Position

31 December 2013

Renminbi Yuan

	31 December 2013	31 December 2012
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	1,000,000	—
Bills payable	774,594,970	594,091,570
Trade payables	1,604,616,077	1,079,882,686
Receipts in advance	364,389,524	263,678,337
Employee benefits payable	70,916,602	52,689,851
Taxes payable	172,621,594	327,674,957
Other payables	176,079,484	104,935,010
Non-current liabilities due within one year	214,526,374	154,718,634
Total current liabilities	3,378,744,625	2,577,671,045
NON-CURRENT LIABILITIES		
Provisions	202,617,269	127,003,488
Other non-current liabilities	131,592,967	113,012,967
Total non-current liabilities	334,210,236	240,016,455
Total liabilities	3,712,954,861	2,817,687,500
SHAREHOLDERS' EQUITY		
Share capital	1,175,476,637	1,084,255,637
Capital reserve	3,378,010,293	1,693,282,738
Surplus reserve	624,621,343	469,062,942
Retained earnings	3,745,587,014	2,725,050,874
Total shareholders' equity	8,923,695,287	5,971,652,191
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12,636,650,148	8,789,339,691

The notes set out on page 64 to page 178 are components of these financial statements.

Statement of Profit or Loss

For the year ended 31 December 2013

Renminbi Yuan

	Note XI	2013	2012
Revenue	4	7,870,519,358	6,316,010,363
Less: Cost of sales	4	5,142,486,898	4,343,594,687
Business taxes and surcharges		65,127,897	53,698,304
Selling expenses		430,351,122	272,234,049
Administrative expenses		767,024,360	641,832,529
Finance costs		(26,375,904)	(11,545,921)
Asset impairment losses		1,470,697	4,281,773
Add: Investment income	5	214,578,234	232,686,470
including: share of profits and losses of associates and a joint venture	5	12,578,234	77,503,842
Operating profit		1,705,012,522	1,244,601,412
Add: Non-operating income		69,370,473	88,292,949
Less: Non-operating expenses		762,733	492,661
including: loss on disposal of non-current assets		585,158	395,057
Total profit		1,773,620,262	1,332,401,700
Less: Income tax expense		218,036,248	143,116,730
Net profit		1,555,584,014	1,189,284,970
Other comprehensive income		—	—
Total comprehensive income		1,555,584,014	1,189,284,970

The notes set out on page 64 to page 178 are components of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2013

Renminbi Yuan

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
2013						
I. Closing balance of last year	1,084,255,637	1,693,282,738	—	469,062,942	2,725,050,874	5,971,652,191
II. Movements during the year						
(i) Net profit	—	—	—	—	1,555,584,014	1,555,584,014
(ii) Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	1,555,584,014	1,555,584,014
(iii) Capital contribution and withdrawal by shareholders						
1. Capital contribution by shareholders	91,221,000	1,684,727,555	—	—	—	1,775,948,555
(iv) Profit appropriation						
1. Transfer to surplus reserve	—	—	—	155,558,401	(155,558,401)	—
2. Dividend paid	—	—	—	—	(379,489,473)	(379,489,473)
(v) Special reserve						
1. Accrued during the year	—	—	10,415,395	—	—	10,415,395
2. Paid during the year	—	—	(10,415,395)	—	—	(10,415,395)
III. Closing balance	<u>1,175,476,637</u>	<u>3,378,010,293</u>	<u>—</u>	<u>624,621,343</u>	<u>3,745,587,014</u>	<u>8,923,695,287</u>

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
2012						
I. Closing balance of last year	1,084,255,637	1,693,282,738	—	350,134,445	2,023,341,318	5,151,014,138
II. Movements during the year						
(i) Net profit	—	—	—	—	1,189,284,970	1,189,284,970
(ii) Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	1,189,284,970	1,189,284,970
(iii) Profit appropriation						
1. Transfer to surplus reserve	—	—	—	118,928,497	(118,928,497)	—
2. Dividend paid	—	—	—	—	(368,646,917)	(368,646,917)
(iv) Special reserve						
1. Accrued during the year	—	—	12,038,870	—	—	12,038,870
2. Paid during the year	—	—	(12,038,870)	—	—	(12,038,870)
III. Closing balance	<u>1,084,255,637</u>	<u>1,693,282,738</u>	<u>—</u>	<u>469,062,942</u>	<u>2,725,050,874</u>	<u>5,971,652,191</u>

The notes set out on page 64 to page 178 are components of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2013

Renminbi Yuan

	Note XI	2013	2012
1. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		5,881,340,029	4,675,958,784
Refunds of taxes		85,778,465	85,945,504
Cash received relating to other operating activities		55,166,346	83,852,021
Sub-total of cash inflows from operating activities		6,022,284,840	4,845,756,309
Cash paid for goods and services		(3,062,942,842)	(2,066,709,011)
Cash paid to and on behalf of employees		(569,334,450)	(463,634,243)
Cash paid for all types of taxes		(997,064,434)	(571,250,212)
Cash paid relating to other operating activities		(800,385,559)	(683,783,123)
Sub-total of cash outflows from operating activities		(5,429,727,285)	(3,785,376,589)
Net cash flows from operating activities	6	592,557,555	1,060,379,720
2. Cash flows from investing activities:			
Cash receipts from disposal or returns of investments		—	1,091,000,000
Cash received from returns on investments		186,649,639	196,365,385
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		590,126	15,414,904
Cash received relating to other investing activities		30,290,000	35,011,300
Sub-total of cash inflows from investing activities		217,529,765	1,337,791,589
Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets		(195,274,051)	(272,349,924)
Cash paid for acquisition of investments		(1,204,962,679)	(842,162,037)
Sub-total of cash outflows from investing activities		(1,400,236,730)	(1,114,511,961)
Net cash flows from/(used in) investing activities		(1,182,706,965)	223,279,628

The notes set out on page 64 to page 178 are components of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2013

Renminbi Yuan

	2013	2012
3. Cash flows from financing activities:		
Cash received from capital contribution	1,775,948,555	—
Cash received from borrowings	1,000,000	—
Sub-total of cash inflows from financing activities	<u>1,776,948,555</u>	<u>—</u>
Cash paid for repayment of short-term bonds	—	(500,000,000)
Cash repayments of borrowings	—	(139,000,000)
Cash paid for distribution of dividends or profits and for interest expenses	<u>(379,489,473)</u>	<u>(395,032,546)</u>
Sub-total of cash outflows from financing activities	<u>(379,489,473)</u>	<u>(1,034,032,546)</u>
Net cash flows from/(used in) financing activities	<u>1,397,459,082</u>	<u>(1,034,032,546)</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents	<u>—</u>	<u>—</u>
5. Net increase in cash and cash equivalents	807,309,672	249,626,802
Add: Cash and cash equivalents at beginning of year	<u>1,956,420,369</u>	<u>1,706,793,567</u>
6. Cash and cash equivalents at end of year	<u><u>2,763,730,041</u></u>	<u><u>1,956,420,369</u></u>

The notes set out on page 64 to page 178 are components of these financial statements.

Notes to Financial Statements

31 December 2013

Renminbi Yuan

I. Basic Information of the Group

Zhuzhou CSR Times Electric Co., Ltd. (the "Company") is a joint stock limited company registered in Hunan Province, the People's Republic of China (the "PRC"). It was jointly established by CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司) (formerly known as CSR Group Zhuzhou Electric Locomotive Research Institute (中國南車集團株洲電力機車研究所)), CSR Qishuyan Locomotive & Rolling Stock Works (中國南車集團戚墅堰機車車輛廠), CSR Zhuzhou Electric Locomotive Co., Ltd. (南車株洲電力機車有限公司) (formerly known as CSR Group Zhuzhou Electric Locomotive Co., Ltd. (中國南車集團株洲電力機車有限公司)), CSR Investment & Leasing Co., Ltd. (南車投資租賃有限公司) (formerly known as New Leap Transportation Equipment Investment & Leasing Co., Ltd. (新力博交通裝備投資租賃有限公司)) and China Railway Large Maintenance Machinery Co., Ltd. Kunming (昆明中鐵大型養路機械集團有限公司) at the date of 26 September 2005, upon approval by the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") of Guozi Reform [2005] 1095 Approval. The Company's registration was approved by the Administration for Industry and Commerce of Hunan Province, with the business license code 430000000009725. The H shares of the Company were listed on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The registered office of the Company is located at Times Road, Shifeng District, Zhuzhou City, Hunan Province, the PRC. The Company and its subsidiaries (together, the "Group") are principally engaged in the sale and manufacture of train-borne electrical systems and electrical components.

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

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

As at 31 December 2013, the Company had issued an aggregate of 1,175,476,637 shares as share capital, refer to Note V.31.

The Group's parent and ultimate holding company are CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司) and CSR Group (中國南車集團公司) respectively, both established in the PRC.

The financial statements were approved by the board of directors of the Company on 25 March 2014. According to the Articles of Association of the Company, the financial statements will be submitted to the general meeting for consideration.

Notes to Financial Statements

31 December 2013

Renminbi Yuan

II. Significant Accounting Policies and Estimates

1. Basis of preparation

The financial statements are prepared in accordance with the “Accounting Standards for Business Enterprises – General Principles” issued by the China Ministry of Finance in February 2006, together with specific accounting standards, application guidance, interpretations and other related regulations issued and revised thereafter (“Accounting Standards for Business Enterprises”, collectively).

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

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

2. Adoption of new and revised Accounting Standards

The Ministry of Finance issued Accounting Standards for Business Enterprises No.39 Fair Value Measurement, Accounting Standards for Business Enterprises No.40 Joint Arrangements and revised Accounting Standards for Business Enterprises No.30 Presentation of Financial Statements, Accounting Standards for Business Enterprises No.9 Employee Benefits, Accounting Standards for Business Enterprises No.33 Consolidated Financial Statements and Accounting Standards for Business Enterprises No.2 Long-term equity investments during the period from January to March 2014. The above six Accounting Standards for Business Enterprises will be effective from 1 July 2014, and enterprises listed overseas are encouraged to adopt the above six Accounting Standards for Business Enterprises in advance. As a Hong Kong listed company, the Company has adopted the above six Accounting Standards for Business Enterprises for the current year’s financial statements in accordance with the regulation in the transition period.

The change of accounting policies by reason of the adoption of the above Accounting Standards for Business Enterprises has been applied to the Company for the current year’s financial statements and retrospective adjustments have been made to the comparative financial information.

The application of Accounting Standards for Business Enterprises No.2 Long-term equity investments has affected the accounting for non-listed available-for-sale investments instruments. The Group accounted non-listed available-for-sale equity instruments as financial assets available-for-sale. Retrospective adjustments have been made to financial data in 2012 and adjustments have no effect on capital reserve, surplus reserve, retained earnings and non-controlling interests of the Group both as at 31 December 2013 and 31 December 2012.

3. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present fairly and completely, the financial position of the Group and the Company as at 31 December 2013 and the financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Significant Accounting Policies and Estimates (continued)

4. Accounting period

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

5. Functional currency

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

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

6. Business combinations

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

Business combinations involving enterprises under common control

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

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

Business combinations not involving enterprises under common control

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

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

Notes to Financial Statements

31 December 2013

Renminbi Yuan

II. Significant Accounting Policies and Estimates (continued)

6. Business combinations (continued)

Business combinations not involving enterprises under common control (continued)

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

7. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control, including the financial statements for the year ended 31 December 2013 of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company (including enterprise, divided part of the investee and a structured entity that is controlled by the Company).

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

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

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

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

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

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

II. Significant Accounting Policies and Estimates (continued)

8. Cash and cash equivalents

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

9. Foreign currency transactions and foreign currency translation

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

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

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

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

Notes to Financial Statements

31 December 2013

Renminbi Yuan

II. Significant Accounting Policies and Estimates (continued)

10. Financial instruments

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

Recognition and derecognition

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

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

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

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

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

Classification and measurement of financial assets

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

II. Significant Accounting Policies and Estimates (continued)

10. Financial instruments (continued)

Classification and measurement of financial assets (continued)

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

Loans and receivables

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

Financial assets available-for-sale

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

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

Notes to Financial Statements

31 December 2013

Renminbi Yuan

II. Significant Accounting Policies and Estimates (continued)

10. Financial instruments (continued)

Classification and measurement of financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of every financial asset. If there is objective evidence indicating that a financial asset may be impaired, a provision is provided for the impairment. Objective evidence that a financial asset is impaired is one or more events that occur after the initial recognition of the asset and have an impact (which can be reliably estimated) on the expected future cash flows of the financial asset.

Financial assets carried at amortised cost

If an impairment loss on a financial asset has been incurred, the carrying amount of the asset is reduced to the present value of expected future cash flows (excluding future credit losses that have not been incurred). The present value of expected future cash flows is discounted at the financial asset's original effective interest rate (i.e., effective interest rate computed on initial recognition) and includes the value of any related collateral.

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

II. Significant Accounting Policies and Estimates (continued)

10. Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

Financial assets available-for-sale

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

The impairment loss of equity instrument held-for-sale cannot be reversed through profit or loss, and any increase of fair value that occurs after the impairment is recognised directly in other comprehensive income.

If after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed with the amount of the reversal recognised in profit or loss.

Financial assets carried at cost

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

Transfer of financial assets

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

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

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II. Significant Accounting Policies and Estimates (continued)

11. Inventories

Inventories include raw materials, work in progress, finished goods and turnover materials.

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

The Group adopts a perpetual inventory system.

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

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

12. Long-term equity investments

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

A long-term equity investment is recorded at its initial investment cost on acquisition. For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the acquirer's share of the carrying amount of acquiree's equity at the combination date. For a long-term equity investment through a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment is the cost of combination (for a business combination not involving enterprises under common control achieved in stages that involves multiple exchange transactions, the initial investment cost is carried at the aggregate of the carrying amount of the acquirer's previously held equity interest in the acquiree and the new investment cost incurred on the acquisition date). The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree. Other comprehensive income that consists of the initial investment cost before the date of acquisition should be reclassified to investment income when the long term equity investments are being disposed of. For a long-term equity investment acquired other than through a business combination, the initial investment cost is determined as follows: for a long-term equity investment acquired by paying cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; for a long-term equity investment acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued; for a long-term equity investment contributed by the investor, the initial investment cost is the value stipulated in the investment contract or agreement, except where the value stipulated in the investment contract or agreement is not fair.

II. Significant Accounting Policies and Estimates (continued)

12. Long-term equity investments (continued)

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

Under the cost method, the long-term equity investment is measured at its initial investment cost. Except for the cash dividend or profit distribution declared but unpaid which are included in the price or consideration paid upon acquisition of a long-term equity investment, the Company recognises its share of cash dividends or profit distributions declared by the investee as investment income in the current period, and considers whether the long-term equity investment is impaired according to the policies related to asset impairment.

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

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

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

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss of the current period. For a long-term equity investment accounted for using the equity method, any changes in the shareholders' equity of the investee included in the shareholders' equity of the Group is transferred to profit or loss of the current period on a pro-rata basis according to the proportion disposed of.

For a long-term equity investment in subsidiaries, joint ventures or associate, refer to Note II.22 for the test for impairment and recognition of provision for impairment.

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II. Significant Accounting Policies and Estimates (continued)

13. Fixed assets

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

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

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

	Useful life	Estimated residual value rate	Annual depreciation rate
Buildings	20-45 years	5%	2.11%-4.75%
Machinery	10 years	5%	9.50%
Vehicles	5 years	5%	19.00%
Office facilities and others	5 years	5%	19.00%

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

For the test of impairment and recognition of provision for impairment related to a fixed asset, refer to Note II.22.

14. Construction in progress

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

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

For the test of impairment and recognition of provision for impairment related to construction in progress, refer to Note II.22.

II. Significant Accounting Policies and Estimates (continued)

15. Borrowing costs

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

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

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

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

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

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

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

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

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II. Significant Accounting Policies and Estimates (continued)

16. Intangible assets

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

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

The useful lives of the intangible assets are as follows:

	Useful life
Land use rights	40-50 years
Patents, licenses and technical know-how	5-10 years
Software licenses	3-10 years

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

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

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

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

For the test of impairment and recognition of provision for impairment related to an intangible asset, refer to Note II.22.

II. Significant Accounting Policies and Estimates (continued)

17. Provisions

Except for contingent consideration transferred and contingent liability assumed in business combinations, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

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

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

18. Revenue

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

Revenue from the sales of goods

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

Revenue from the rendering of services

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

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

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II. Significant Accounting Policies and Estimates (continued)

18. Revenue (continued)

Interest income

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

Dividend income

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

Lease income

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

19. Government grants

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

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

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

20. Income tax

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

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

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

II. Significant Accounting Policies and Estimates (continued)

20. Income tax (continued)

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

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

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

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

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

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

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

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II. Significant Accounting Policies and Estimates (continued)

21. Leases

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

In the case of the lessee of an operating lease

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

In the case of the lessor of an operating lease

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

In the case of the lessor of a finance lease

For an asset that is leased out under a finance lease, the aggregate of the minimum lease receipts at the inception of the lease and the initial direct costs is recorded as a finance lease receivable, and the unguaranteed residual value is recorded at the same time; the difference between the aggregate of the minimum lease receipt, initial direct costs, and the unguaranteed residual value, and the aggregate of their present values, are recognised as unearned finance income, which is amortised using the effective interest rate method over each period during the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

22. Impairment of assets

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

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

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

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

II. Significant Accounting Policies and Estimates (continued)

22. Impairment of assets (continued)

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

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

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

23. Employee benefits

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

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

Termination benefits

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

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II. Significant Accounting Policies and Estimates (continued)

24. Distribution of profit

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

25. Production safety expenses

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

26. Fair value measurement

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

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

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

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

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

II. Significant Accounting Policies and Estimates (continued)

27. Significant accounting estimates

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

Estimation uncertainty

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

Impairment of trade receivables

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

Provision for impairment of inventories

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

Deferred tax assets

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

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II. Significant Accounting Policies and Estimates (continued)

27. Significant accounting estimates (continued)

Estimation uncertainty (continued)

Impairment of goodwill

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

Development expenditure

Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash flows from the assets, applicable discount rates and the expected period of benefits.

Impairment of non-financial assets (other than goodwill)

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

Provision for warranties

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

III. Taxes

1. Major categories of taxes and respective tax rates

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

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

2. Tax benefits and official approval

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

Pursuant to the provisions of Rule 28 under the Corporate Income Tax Law of the People's Republic of China, high-tech enterprises that require government support are subject to corporate income tax at the rate of 15%.

Pursuant to the relevant document jointly issued by the Hunan Provincial Science and Technology Department, the Department of Finance of Hunan Province, the State Taxation Bureau of Hunan Province and the Local Taxation Bureau of Hunan Province, the Company and its subsidiary, Zhuzhou Times Electronics Technology Co., Ltd. ("Times Electronics"), were accredited as high-tech enterprises and granted certificates of high-tech enterprise (No.GF201143000144 and No.GF201143000056, respectively) on 4 November 2011 for a validity period of three years. Pursuant to the document Yong Gao Qi Ren Ban [2011] No.10 (甬高企認辦[2011]10 號文) of Ningbo City, Zhejiang Province, Ningbo CSR Times Sensor Technology Co., Ltd. ("Ningbo Times"), a subsidiary of the Company, was accredited as a high-tech enterprise and granted a certificate of high-tech enterprise (No. GF201133100049) on 6 September 2011 for a validity period of three years. Pursuant to the document Xiang Ke Gao Ban Zi [2013] No. 33 (湘科高辦字[2013]33號文) jointly issued by the Hunan Provincial Science and Technology Department, the Department of Finance of Hunan Province, the State Taxation Bureau of Hunan Province and the Local Taxation Bureau of Hunan Province, Zhuzhou Times Equipment Technology Co., Ltd. ("Times Equipment"), a subsidiary of the Company, was accredited as a high-tech enterprise and granted a certificate of high-tech enterprise (No. GF201243000112) on 12 November 2012 for a validity period of three years.

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III. Taxes (continued)

2. Tax benefits and official approval (continued)

Pursuant to "The Notice Regarding the Tax Policies of the Strategy of Further Development of Western Region Issued by Ministry of Finance, General Administration of Customs and State Administration of Taxation" (Cai Shui No. [2011]58) (《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》) (財稅[2011]58號), the preferential tax policies for the development of the Western Region can be adopted until 2020. This document regulated that "From 1 January 2011 to 31 December 2020, enterprises in encouraged industries which are set up in the Western Region can enjoy a corporate income tax at the reduced rate of 15%. These enterprises in encouraged industries refers to the principal activities of the industry project provided in the "Category of Encouraged Industries in the Western Region" (《西部地區鼓勵類產業目錄》), and their revenue from principal activities represents more than 70% of total revenue of the enterprises. The "Category of Encouraged Industries in the Western Region" will be published separately". Despite the above "Category of Encouraged Industries in the Western Region" has not yet been issued, the management of the Company, believes that Baoji CSR Times Engineering Machinery Co., Ltd. ("Baoji Times"), a subsidiary of the Company, engaged in the principal activities which the industry projects provided in the relevant applicable category of guidance on industrial restructuring in past years, and fulfilled the conditions of enjoyment of the preferential tax of the Western Region, therefore, the income tax of Baoji Times is still calculated based on the preferential tax rate of the Western Region in the current period. Pursuant to the document of Yun Fa Gai Ban Xi No.[2013]397(雲發改辦西[2013]397號), Kunming CSR Electric Equipment Co., Ltd. ("Kunming Electric"), a subsidiary of the Company, engaged in the principal activities which the industry projects provided in the relevant applicable category of guidance on industrial restructuring, and fulfilled the conditions of enjoyment of the preferential tax of the Western Region.

IV. Scope of Consolidation of the Consolidated Financial Statements

1. Particulars of subsidiaries

Particulars of subsidiaries of the Company are as follows:

Names of companies	Types of subsidiaries	Place of registration/ principal place of business	Registered capital	Nature of business	Scope of business	Proportion of shareholding		Proportion of votes	Consolidated or not	Note
						Direct	Indirect			
Ningbo Times	Limited liability company	Ningbo Zhejiang	RMB 148,826,200	Manufacture industry	Manufacture and sale of sensors and vacuum sanitary units	100%	—	100%	Yes	Note 1
Times Electronics	Limited liability company	Zhuzhou Hunan	RMB 80,000,000	Manufacture industry	Manufacture and sale of electrical control systems for large railway maintenance vehicles	100%	—	100%	Yes	
Times Equipment	Limited liability company	Zhuzhou Hunan	RMB 36,000,000	Manufacture industry	Manufacture and sale of vibration absorbers and testing equipment	100%	—	100%	Yes	
Beijing CSR Times Information Technology Co., Ltd. (“Times Information”)	Limited liability company	Beijing	RMB 29,000,000	Manufacture industry	Manufacture and sale of train operation safety equipment	100%	—	100%	Yes	
Shenyang CSR Times Transportation Equipment Co., Ltd. (“Shenyang Times”)	Limited liability company	Shenyang Liaoning	RMB 3,000,000	Manufacture industry	Manufacture and sale of electrical components for rail transit vehicles	100%	—	100%	Yes	
Baoji Times	Limited liability company	Baoji Shaanxi	RMB 200,000,000	Manufacture industry	Manufacture and sale of large railway and urban rail work machines and vehicles	80%	—	80%	Yes	
Kunming Electric	Limited liability company	Kunming Yunnan	RMB 3,000,000	Manufacture industry	Manufacture and sale of train-borne electrical systems	100%	—	100%	Yes	
Hangzhou CSR Electric Equipment Co., Ltd. (“Hangzhou Electric”)	Limited liability company	Hangzhou Zhejiang	RMB 75,000,000	Manufacture industry	Manufacture and sale of train-borne electrical systems	60%	—	60%	Yes	

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IV. Scope of Consolidation of the Consolidated Financial Statements (continued)

1. Particulars of subsidiaries (continued)

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

Names of companies	Types of subsidiaries	Place of registration/ principal place of business	Registered capital	Nature of business	Scope of business	Proportion of shareholding		Proportion of votes	Consolidated or not	Note
						Direct	Indirect			
Guangzhou CSR Times Electric Technology Co., Ltd. (“Guangzhou Times”)	Limited liability company	Guangzhou Guangdong	RMB 30,000,000	Manufacture industry	Manufacture and sale of train-borne electrical systems	60%	–	60%	Yes	
CSR Times Electric (Hong Kong) Co., Limited (“HK Electric”)	Limited liability company	Hong Kong	HKD 10,000,000	Trading	Overseas trading and related business	100%	–	100%	Yes	
Ningbo CSR Electrical Equipment Co., Ltd. (“Ningbo Electric”)	Limited liability company	Ningbo Zhejiang	RMB 10,000,000	Manufacture industry	Manufacture and sale of traction, signal, electrical supply and track system	100%	–	100%	Yes	
CSR Times Electric Australia Pty. Ltd. (“Times Australia”)	Limited liability company	Australia	AUD 290,000	Trading	Sale of related products for railway vehicles	100%	–	100%	Yes	
Times Electric USA, LLC (“Times USA”)	Limited liability company	USA	USD 430,000	Trading	Sale of power semi-conductor and integrated circuit products	100%	–	100%	Yes	
Dynex Power Inc. (“Dynex”)	Stock limited company	Canada	CAD 37,096,192	Investment holding	Investment holding	75%	–	75%	Yes	
Dynex Semiconductor Limited (“Dynex Semiconductor”)	Limited liability company	United Kingdom	GBP 15,000,000	Manufacture industry	Manufacture and sale of power semi-conductor and integrated circuit products	–	75%	75%	Yes	
CSR Times Electric Brasil Ltda. (“Times Brasil”)	Limited liability company	Brazil	USD 741,820	Trading	Sale of related products for railway vehicles	99%	–	99%	Yes	Note 2

Note 1: In 2013 the Company injected the capital of RMB100,000,000 to Ningbo Times. After the injection, Ningbo Times increased the registered capital to RMB148,826,200.

Note 2: In 2013, the Company established Times Brasil. The registered capital of Times Brasil is USD741,820, the Company and a Brazilian non-connected natural person injected the capital of USD734,400 and USD7,420 respectively and the equity interests held by the Company and Brazilian non-connected natural person are 99% and 1% respectively.

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IV. Scope of Consolidation of the Consolidated Financial Statements (continued)

2. Changes in scope of consolidation

Except for the subsidiaries newly established in the current year, the scope of the consolidated financial statements is the same as that of the previous year.

3. Entity newly consolidated in the current year

The subsidiary newly established and consolidated in 2013 is as follows:

	Net assets at the end of 2013	Net loss from the incorporation date to the end of the current year
Times Brasil	2,972,401	410,495

4. A business combination involving an enterprise under common control occurred in the current year

	Basis for the judgement that a business combination is involving an enterprise under common control	Actual controlling shareholder	Revenue for the period from year- beginning to combination date	Net profit for the period from year- beginning to combination date
Certain Assets	The enterprise involving the business combination is under the same shareholder's control before and after the business combination	CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	16,321,536	1,682,415

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IV. Scope of Consolidation of the Consolidated Financial Statements (continued)

4. A business combination involving an enterprise under common control occurred in the current year

(continued)

	Net cash flows from operating activities for the period from year-beginning to combination date	Net cash flows for the period from year-beginning to combination date
Certain Assets	—	—

In December 2013, Times Equipment, a subsidiary of the Company, purchased the assets related to metro energy feedback devices, urban rail braking energy absorption devices, metro rectifiers, special rectifiers and motor test power supply ("Certain Assets") from Zhuzhou National Engineering Research Centre of Converters Co., Ltd. for a consideration of RMB36,010,126. The consideration was resulting from the valuation of Certain Assets as at 30 June 2013 by an independent valuer. Zhuzhou National Engineering Research Centre of Converters Co., Ltd., the transferor of Certain Assets, is a wholly-owned subsidiary of CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd., which is the Company's parent company. The Certain Assets and the Company were ultimately controlled by CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd., before and after the business combination and that control is not transitory, hence the business combination is the business combination involving an enterprise under common control. The business combination date was determined as at 31 December 2013. When preparing the financial statements of the current year, the Group has restated some comparative figures.

The carrying amounts of above Certain Assets on the combination date and the balance sheet date of the immediately preceding accounting period are presented as follows:

	31 December 2013	31 December 2012
Fixed assets	1,986,781	2,184,834
Intangible assets	5,562,188	5,562,188
Deferred tax assets	4,224,053	—
Other receivables	300,802	—
Other payables	—	(1,880,468)
	12,073,824	<u>5,866,554</u>
Difference arising from combination (recorded in equity) (Note V. 32)	23,936,302	
Consideration of combination	36,010,126	

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V. Notes to Key Items of the Consolidated Financial Statements

1. Cash and bank balances

	31 December 2013		
	Original currency	Exchange rate	RMB equivalent
Cash			
— CAD	3,172	5.7259	18,163
Cash in bank			
— RMB	3,020,833,215	1.0000	3,020,833,215
— USD	2,345,936	6.0969	14,302,937
— HKD	7,079,429	0.7862	5,565,847
— EUR	428,102	8.4189	3,604,148
— CAD	16,744	5.7259	95,874
— GBP	27,433	10.0556	275,855
— JPY	1,000,000,060	0.0578	57,800,003
— AUD	271,130	5.4301	1,472,263
— CHF	99	6.8872	682
— BRL	1,037,998	2.5628	2,660,181
			<u>3,106,611,005</u>
Other cash and bank balances			
— RMB	29,461,518	1.0000	29,461,518
			<u><u>3,136,090,686</u></u>

	31 December 2012 (Restated)		
	Original currency	Exchange rate	RMB equivalent
Cash			
— CAD	2,749	6.3184	17,366
Cash in bank			
— RMB	2,241,443,089	1.0000	2,241,443,089
— USD	3,328,039	6.2855	20,918,389
— HKD	3,939,094	0.8109	3,194,211
— EUR	340,577	8.3176	2,832,783
— CAD	10,041	6.3184	63,443
— GBP	461,363	10.1611	4,687,956
— JPY	211,258,893	0.0730	15,421,899
— AUD	263,322	6.5363	1,721,152
— CHF	33,570	6.8219	229,011
			<u>2,290,511,933</u>
Other cash and bank balances			
— RMB	28,386,152	1.0000	28,386,152
			<u><u>2,318,915,451</u></u>

Notes to Financial Statements

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

1. Cash and bank balances (continued)

	31 December 2013	31 December 2012 (Restated)
Restricted cash and bank balances:		
Security deposits for acceptance bills	21,535,606	21,421,004
Security deposits for letters of guarantee	7,925,912	6,965,148
	29,461,518	28,386,152

The restricted time period for using the above restricted cash and bank balances is within 1 year.

As at 31 December 2013, the cash and bank balances deposited overseas by the Group were equivalent to RMB12,719,813 (31 December 2012 (Restated): RMB19,478,773).

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

2. Bills receivable

	31 December 2013	31 December 2012 (Restated)
Bank acceptance bills	892,631,600	740,544,187
Commercial acceptance bills	1,320,997,231	150,093,000
	2,213,628,831	890,637,187

As at 31 December 2013, the title of bills receivable with a carrying amount of RMB1,000,000 (31 December 2012 (Restated): Nil) was restricted, refer to Note V.19.

Details of the amounts due from related parties in the balance of the bills receivable are disclosed in Note VI Related party relationships and transactions.

Notes to Financial Statements

31 December 2013

Renminbi Yuan

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

3. Trade receivables

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

The aging analysis of the trade receivables is as follows:

	31 December 2013	31 December 2012 (Restated)
Within 6 months	2,359,481,905	2,424,630,824
6 months to 1 year	232,133,840	246,686,191
1 to 2 years	167,177,563	83,905,920
2 to 3 years	6,688,434	11,500,065
Over 3 years	12,921,980	13,257,908
	2,778,403,722	2,779,980,908
Less: provision for bad debt	52,877,165	42,917,850
	2,725,526,557	2,737,063,058
Less: classified as non-current assets (Note V. 10)	31,660,131	—
	2,693,866,426	2,737,063,058

The movements of provision for bad debt are as follows:

	2013	2012 (Restated)
Opening balance	42,917,850	38,374,970
Provision in the current year	13,611,556	7,064,898
Reversal in the current year	(3,062,647)	(1,951,060)
Write-off in the current year	(568,834)	(583,204)
Exchange realignment	(20,760)	12,246
Closing balance	52,877,165	42,917,850

Details of the amounts due from related parties in the balance of trade receivables are disclosed in Note VI Related party relationships and transactions.

Notes to Financial Statements

31 December 2013

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

4. Prepayments

The aging analysis of prepayments is as follows:

	31 December 2013	31 December 2012 (Restated)
Within 1 year	93,995,875	78,274,463
1 to 2 years	1,422,072	6,234,401
2 to 3 years	511,028	2,645,794
Over 3 years	2,246,220	791,465
	98,175,195	87,946,123

Details of the amounts due from related parties in the balance of prepayments are disclosed in Note VI Related party relationships and transactions.

5. Other receivables

The aging analysis of other receivables is as follows:

	31 December 2013	31 December 2012 (Restated)
Within 1 year	53,947,460	50,464,202
1 to 2 years	2,729,540	2,208,441
2 to 3 years	1,472,297	2,561,242
Over 3 years	2,775,765	1,724,105
	60,925,062	56,957,990
Less: provision for bad debt	2,837,263	2,831,876
	58,087,799	54,126,114

Notes to Financial Statements

31 December 2013

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

5. Other receivables (continued)

The movements of provision for bad debt are as follows:

	2013	2012 (Restated)
Opening balance	2,831,876	2,534,950
Provision in the current year	30,893	1,829,876
Reversal in the current year	(25,506)	(1,532,950)
Closing balance	<u>2,837,263</u>	<u>2,831,876</u>

Details of the amounts due from related parties in the balance of other receivables are disclosed in Note VI Related party relationships and transactions.

6. Inventories

	31 December 2013		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	486,138,378	43,421,802	442,716,576
Work in progress	401,127,443	27,459,854	373,667,589
Finished goods	626,594,941	19,965,536	606,629,405
Turnover materials	5,943,605	915,864	5,027,741
	<u>1,519,804,367</u>	<u>91,763,056</u>	<u>1,428,041,311</u>

	31 December 2012 (Restated)		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	506,720,215	57,633,748	449,086,467
Work in progress	353,240,992	21,523,807	331,717,185
Finished goods	385,153,114	60,778,709	324,374,405
Turnover materials	5,808,960	1,065,557	4,743,403
	<u>1,250,923,281</u>	<u>141,001,821</u>	<u>1,109,921,460</u>

Notes to Financial Statements

31 December 2013

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

6. Inventories (continued)

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

2013

	Opening balance	Provision	Decrease			Closing balance
			Reversal (Note 1)	Write-off (Note 2)	Exchange realignment	
Raw materials	57,633,748	9,608,289	(23,736,347)	(49,165)	(34,723)	43,421,802
Work in progress	21,523,807	12,782,580	(6,665,379)	(146,172)	(34,982)	27,459,854
Finished goods	60,778,709	6,935,979	(47,698,204)	(32,008)	(18,940)	19,965,536
Turnover materials	1,065,557	165,847	(315,540)	—	—	915,864
	<u>141,001,821</u>	<u>29,492,695</u>	<u>(78,415,470)</u>	<u>(227,345)</u>	<u>(88,645)</u>	<u>91,763,056</u>

Note 1: Mainly represents reversal of provision for impairment of inventories when the impaired value was recovered.

Note 2: Mainly represents write-off of provision for impairment of inventories when the related inventories were disposed of or consumed.

2012 (Restated)

	Opening balance	Provision	Decrease			Closing balance
			Reversal (Note 1)	Write-off (Note 2)	Exchange realignment	
Raw materials	89,218,919	954,051	(31,114,622)	(1,751,600)	327,000	57,633,748
Work in progress	21,234,863	6,570,946	(2,273,882)	(4,450,301)	442,181	21,523,807
Finished goods	30,743,227	31,380,622	—	(1,587,387)	242,247	60,778,709
Turnover materials	810,565	256,012	—	(1,020)	—	1,065,557
	<u>142,007,574</u>	<u>39,161,631</u>	<u>(33,388,504)</u>	<u>(7,790,308)</u>	<u>1,011,428</u>	<u>141,001,821</u>

Note 1: Mainly represents reversal of provision for impairment of inventories when the impaired value was recovered.

Note 2: Mainly represents write-off of provision for impairment of inventories when the related inventories were disposed of or consumed.

As at 31 December 2013, no inventory of the Group was restricted (31 December 2012 (Restated): Nil).

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

7. Other current assets

	31 December 2013	31 December 2012 (Restated)
Prepaid corporation income tax	7,503,645	785,327
Prepaid VAT	53,740,346	2,226,460
Prepaid city maintenance and construction tax	9,975,978	—
Other prepaid tax	12,959,863	253,037
	84,179,832	3,264,824

8. Held-to-maturity investments

	31 December 2013	31 December 2012 (Restated)
Bank financial products (Note 1)	600,000,000	—
Entrusted loan (Note 2)	500,000,000	—
	1,100,000,000	—
Less: Provision for impairment loss	—	—
	1,100,000,000	—

Note 1: On 20 December 2013, the Company bought principal guaranteed and income yielding financial products amounting to RMB250,000,000 from China Construction Bank, with interest accrued from 20 December 2013 to 26 June 2014, and the annual yielding rate is 6.00%. On 24 December 2013, the Company bought principal guaranteed and income yielding financial products amounting to RMB100,000,000 from Shanghai Pudong Development Bank, with interest accrued from 24 December 2013 to 25 March 2014, and the annual yielding rate is 6.20%. On 30 December 2013, the Company bought principal guaranteed and income yielding financial products amounting to RMB100,000,000 from China Guangfa Bank, with interest accrued from 30 December 2013 to 31 March 2014, and the annual yielding rate is 5.45%. On 31 December 2013, the Company bought principal guaranteed and income yielding financial products amounting to RMB150,000,000 from China Construction Bank, with interest accrued from 31 December 2013 to 10 February 2014, and the annual yielding rate is 6.00%.

Note 2: As at 31 December 2013, the Company issued an entrusted loan amounting to RMB500,000,000 to the parent company CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd., through Industrial and Commercial Bank of China. The loan period is from 31 December 2013 to 31 December 2014, and the annual yielding rate is 5.40%.

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

9. Financial assets available-for-sale

	31 December 2013	31 December 2012 (Restated)
Available-for-sale equity instruments	900,000	400,000

2013

	Opening balance	Increase	Closing balance	Impairment provision	Net value at end of year	Cash dividend received
Available-for-sale equity instruments:						
CSR Transit Tram Research Institute (Guangzhou)	—	900,000	900,000	—	900,000	—
Changchun Railway Vehicles Technology Development Co., Ltd.	400,000	(400,000)	—	—	—	—
	400,000	500,000	900,000	—	900,000	—

2012 (Restated)

	Opening balance	Increase	Closing balance	Impairment provision	Net value at end of year	Cash dividend received
Available-for-sale equity instruments:						
Changchun Railway Vehicles Technology Development Co., Ltd.	400,000	—	400,000	—	400,000	—

10. Long-term receivables

	31 December 2013	31 December 2012 (Restated)
Trade receivables (Note V. 3)	31,660,131	—
Long-term finance lease receivables	609,036	1,772,676
	32,269,167	1,772,676
Less: Long-term receivables due within one year	609,036	1,163,640
	31,660,131	609,036

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

11. Investments in a joint venture and associates

2013

Type of enterprises	Place of registration/principal place of business	Nature of business	Registered capital	Proportion of shareholding and votes		Organisation code	
				Direct	Indirect		
Joint venture Zhuzhou Shiling Transportation Equipment Company, Ltd.	Limited liability company	Zhuzhou, Hunan	Manufacturing	USD 14,000,000	50%	—	77226296-7
Associates Siemens Traction Equipment Ltd., Zhuzhou	Limited liability company	Zhuzhou, Hunan	Manufacturing	RMB 128,989,000	30%	—	70724879-8
Hunan CSR Webtec Railway Transportation Technology Co., Ltd.	Limited liability company	Changsha, Hunan	Manufacturing	RMB 32,500,000	50%	—	57863059-7

2012 (Restated)

Type of enterprises	Place of registration/principal place of business	Nature of business	Registered capital	Proportion of shareholding and votes		Organisation code	
				Direct	Indirect		
Joint venture Zhuzhou Shiling Transportation Equipment Company, Ltd.	Limited liability company	Zhuzhou, Hunan	Manufacturing	USD 14,000,000	50%	—	77226296-7
Associates Siemens Traction Equipment Ltd., Zhuzhou	Limited liability company	Zhuzhou, Hunan	Manufacturing	RMB 128,989,000	30%	—	70724879-8
Hunan CSR Webtec Railway Transportation Technology Co., Ltd.	Limited liability company	Changsha, Hunan	Manufacturing	RMB 32,500,000	50%	—	57863059-7

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

11. Investments in a joint venture and associates (continued)

Zhuzhou Shiling Transportation Equipment Company, Ltd., which is considered a material joint venture of the Group, acts as the supplier of EMU accessories and is accounted for using the equity method.

The following table illustrates the summarised financial information of Zhuzhou Shiling Transportation Equipment Company, Ltd. adjusted for any differences in accounting policies, and reconciled to the carrying amount in the financial statements:

	31 December 2013	31 December 2012
Cash and cash equivalents	175,798,349	96,575,804
Other current assets	264,883,378	260,819,753
Current assets	440,681,727	357,395,557
Non-current assets	53,767,568	57,489,350
Financial liabilities, excluding accounts payable and other payables	—	—
Other current liabilities	140,892,272	75,078,557
Current liabilities	140,892,272	75,078,557
Net assets	353,557,023	339,806,350
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture, excluding goodwill	176,778,512	169,903,175
Carrying amount of the investment	176,232,966	169,050,112
	2013	2012
Revenue	533,531,497	482,951,150
Interest income	4,508,191	2,606,692
Depreciation and amortisation	4,637,187	4,653,734
Interest expense	438,573	271,900
Tax	10,533,995	18,253,012
Net profit	31,601,985	51,029,114
Total comprehensive income for the year	31,601,985	51,029,114
Dividend received by the Group	9,000,000	11,000,000

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

11. Investments in a joint venture and associates (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2013	2012
Share of the associates' (losses)/profit for the year	(3,604,620)	51,989,321
Share of the associates' total comprehensive (losses)/income	(3,604,620)	51,989,321
Carrying amount of the Group's investments in the associates	<u>56,720,482</u>	<u>85,974,741</u>

12. Long-term equity investments

2013

	Opening balance	Increase	Closing balance	Impairment provision	Net value at end of year	Cash dividend received
Non-listed investments:						
Equity method:						
Joint venture						
Zhuzhou Shiling Transportation Equipment Company, Ltd.	169,050,112	7,182,854	176,232,966	—	176,232,966	9,000,000
Associates						
Siemens Traction Equipment Ltd., Zhuzhou	72,803,665	(25,774,634)	47,029,031	—	47,029,031	25,649,639
Hunan CSR Webtec Railway Transportation Technology Co., Ltd.	13,171,076	(3,479,625)	9,691,451	—	9,691,451	—
	<u>85,974,741</u>	<u>(29,254,259)</u>	<u>56,720,482</u>	<u>—</u>	<u>56,720,482</u>	<u>25,649,639</u>
	<u>255,024,853</u>	<u>(22,071,405)</u>	<u>232,953,448</u>	<u>—</u>	<u>232,953,448</u>	<u>34,649,639</u>

2012 (Restated)

	Opening balance	Increase	Closing balance	Impairment provision	Net value at end of year	Cash dividend received
Non-listed investments:						
Equity method:						
Joint venture						
Zhuzhou Shiling Transportation Equipment Company, Ltd.	154,535,591	14,514,521	169,050,112	—	169,050,112	11,000,000
Associates						
Siemens Traction Equipment Ltd., Zhuzhou	47,918,177	24,885,488	72,803,665	—	72,803,665	30,182,757
Hunan CSR Webtec Railway Transportation Technology Co., Ltd.	—	13,171,076	13,171,076	—	13,171,076	—
	<u>47,918,177</u>	<u>38,056,564</u>	<u>85,974,741</u>	<u>—</u>	<u>85,974,741</u>	<u>30,182,757</u>
	<u>202,453,768</u>	<u>52,571,085</u>	<u>255,024,853</u>	<u>—</u>	<u>255,024,853</u>	<u>41,182,757</u>

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

13. Fixed assets

2013

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Cost:					
Buildings	951,506,557	168,936,593	—	(237,724)	1,120,205,426
Machinery	951,127,389	92,549,682	(9,924,635)	(1,284,745)	1,032,467,691
Vehicles	35,070,906	1,727,011	(742,020)	(48,982)	36,006,915
Office facilities and others	151,249,966	22,918,375	(2,755,682)	(3,050)	171,409,609
	<u>2,088,954,818</u>	<u>286,131,661</u>	<u>(13,422,337)</u>	<u>(1,574,501)</u>	<u>2,360,089,641</u>
Accumulated depreciation:					
Buildings	138,674,481	32,502,288	—	24,357	171,201,126
Machinery	346,284,872	81,230,836	(3,685,203)	136,999	423,967,504
Vehicles	17,509,322	5,048,596	(706,024)	(2,066)	21,849,828
Office facilities and others	85,321,191	19,680,339	(2,282,115)	(1,461)	102,717,954
	<u>587,789,866</u>	<u>138,462,059</u>	<u>(6,673,342)</u>	<u>157,829</u>	<u>719,736,412</u>
Carrying amount:					
Buildings	812,832,076	136,434,305	—	(262,081)	949,004,300
Machinery	604,842,517	11,318,846	(6,239,432)	(1,421,744)	608,500,187
Vehicles	17,561,584	(3,321,585)	(35,996)	(46,916)	14,157,087
Office facilities and others	65,928,775	3,238,036	(473,567)	(1,589)	68,691,655
	<u>1,501,164,952</u>	<u>147,669,602</u>	<u>(6,748,995)</u>	<u>(1,732,330)</u>	<u>1,640,353,229</u>
Impairment provision:					
Buildings	9,411,739	—	—	—	9,411,739
Machinery	36,396,528	—	(1,615,890)	—	34,780,638
Vehicles	—	—	—	—	—
Office facilities and others	885,228	—	—	—	885,228
	<u>46,693,495</u>	<u>—</u>	<u>(1,615,890)</u>	<u>—</u>	<u>45,077,605</u>
Net carrying amount:					
Buildings	803,420,337	136,434,305	—	(262,081)	939,592,561
Machinery	568,445,989	11,318,846	(4,623,542)	(1,421,744)	573,719,549
Vehicles	17,561,584	(3,321,585)	(35,996)	(46,916)	14,157,087
Office facilities and others	65,043,547	3,238,036	(473,567)	(1,589)	67,806,427
	<u>1,454,471,457</u>	<u>147,669,602</u>	<u>(5,133,105)</u>	<u>(1,732,330)</u>	<u>1,595,275,624</u>

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

13. Fixed assets (continued)

2012 (Restated)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Cost:					
Buildings	876,582,715	73,909,976	—	1,013,866	951,506,557
Machinery	839,782,029	127,822,142	(24,626,406)	8,149,624	951,127,389
Vehicles	29,266,477	7,157,084	(1,352,185)	(470)	35,070,906
Office facilities and others	133,438,724	22,169,165	(4,355,101)	(2,822)	151,249,966
	<u>1,879,069,945</u>	<u>231,058,367</u>	<u>(30,333,692)</u>	<u>9,160,198</u>	<u>2,088,954,818</u>
Accumulated depreciation:					
Buildings	110,193,399	28,463,926	—	17,156	138,674,481
Machinery	271,330,678	76,446,479	(4,578,289)	3,086,004	346,284,872
Vehicles	13,189,162	4,721,918	(401,574)	(184)	17,509,322
Office facilities and others	69,970,580	18,971,772	(3,621,019)	(142)	85,321,191
	<u>464,683,819</u>	<u>128,604,095</u>	<u>(8,600,882)</u>	<u>3,102,834</u>	<u>587,789,866</u>
Carrying amount:					
Buildings	766,389,316	45,446,050	—	996,710	812,832,076
Machinery	568,451,351	51,375,663	(20,048,117)	5,063,620	604,842,517
Vehicles	16,077,315	2,435,166	(950,611)	(286)	17,561,584
Office facilities and others	63,468,144	3,197,393	(734,082)	(2,680)	65,928,775
	<u>1,414,386,126</u>	<u>102,454,272</u>	<u>(21,732,810)</u>	<u>6,057,364</u>	<u>1,501,164,952</u>
Impairment provision:					
Buildings	9,411,739	—	—	—	9,411,739
Machinery	36,396,528	—	—	—	36,396,528
Vehicles	—	—	—	—	—
Office facilities and others	885,228	—	—	—	885,228
	<u>46,693,495</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>46,693,495</u>
Net carrying amount:					
Buildings	756,977,577	45,446,050	—	996,710	803,420,337
Machinery	532,054,823	51,375,663	(20,048,117)	5,063,620	568,445,989
Vehicles	16,077,315	2,435,166	(950,611)	(286)	17,561,584
Office facilities and others	62,582,916	3,197,393	(734,082)	(2,680)	65,043,547
	<u>1,367,692,631</u>	<u>102,454,272</u>	<u>(21,732,810)</u>	<u>6,057,364</u>	<u>1,454,471,457</u>

Notes to Financial Statements

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

13. Fixed assets (continued)

The amount of depreciation provided in 2013 was RMB138,462,059 (2012 (Restated): RMB128,604,095). In 2013, the cost of fixed assets transferred from construction in progress was RMB233,748,360 (2012 (Restated): RMB153,022,844).

As at 31 December 2013, fixed assets held under operating leases are as follows:

	Cost	Accumulated depreciation	Impairment provision	Net carrying amount
Buildings	<u>83,121,766</u>	<u>9,966,418</u>	<u>—</u>	<u>73,155,348</u>

As at 31 December 2012 (Restated), fixed assets held under operating leases are as follows:

	Cost	Accumulated depreciation	Impairment provision	Net carrying amount
Buildings	<u>63,542,683</u>	<u>7,957,779</u>	<u>—</u>	<u>55,584,904</u>

As at 31 December 2013, the title of fixed assets with a net carrying amount of RMB34,861,796(31 December 2012 (Restated): RMB30,276,793) was restricted, refer to Note V.19.

As at 31 December 2013, the Group was in the process of applying for the title certificates of certain buildings with an aggregate carrying amount of RMB172,492,033 (31 December 2012 (Restated): RMB60,744,983). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Company's management is also of the opinion that the aforesaid matter would not have any significant impact on the Group's financial position as at 31 December 2013.

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

14. Intangible assets

2013

	Opening balance	Increase	Exchange realignment	Closing balance
Cost:				
Land use rights	177,772,004	17,409,878	(130,521)	195,051,361
Software licenses	54,123,157	12,789,886	—	66,913,043
Patents, licenses and technical know-how	211,769,251	13,256,498	(273,265)	224,752,484
	<u>443,664,412</u>	<u>43,456,262</u>	<u>(403,786)</u>	<u>486,716,888</u>
Accumulated amortisation:				
Land use rights	18,166,249	3,487,326	—	21,653,575
Software licenses	38,297,139	10,125,593	—	48,422,732
Patents, licenses and technical know-how	45,306,660	8,287,629	(1,635,472)	51,958,817
	<u>101,770,048</u>	<u>21,900,548</u>	<u>(1,635,472)</u>	<u>122,035,124</u>
Carrying amount:				
Land use rights	159,605,755	13,922,552	(130,521)	173,397,786
Software licenses	15,826,018	2,664,293	—	18,490,311
Patents, licenses and technical know-how	166,462,591	4,968,869	1,362,207	172,793,667
	<u>341,894,364</u>	<u>21,555,714</u>	<u>1,231,686</u>	<u>364,681,764</u>
Impairment provision:				
Land use rights	—	—	—	—
Software licenses	—	—	—	—
Patents, licenses and technical know-how	131,627,620	—	—	131,627,620
	<u>131,627,620</u>	<u>—</u>	<u>—</u>	<u>131,627,620</u>
Net carrying amount:				
Land use rights	159,605,755	13,922,552	(130,521)	173,397,786
Software licenses	15,826,018	2,664,293	—	18,490,311
Patents, licenses and technical know-how	34,834,971	4,968,869	1,362,207	41,166,047
	<u>210,266,744</u>	<u>21,555,714</u>	<u>1,231,686</u>	<u>233,054,144</u>

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31 December 2013

Renminbi Yuan

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

14. Intangible assets (continued)

2012 (Restated)

	Opening balance	Increase	Exchange realignment	Closing balance
Cost:				
Land use rights	168,579,796	7,570,693	1,621,515	177,772,004
Software licenses	49,844,836	4,278,321	—	54,123,157
Patents, licenses and technical know-how	196,793,958	13,809,135	1,166,158	211,769,251
	<u>415,218,590</u>	<u>25,658,149</u>	<u>2,787,673</u>	<u>443,664,412</u>
Accumulated amortisation:				
Land use rights	14,931,029	3,235,220	—	18,166,249
Software licenses	30,355,517	7,941,622	—	38,297,139
Patents, licenses and technical know-how	37,990,654	7,050,683	265,323	45,306,660
	<u>83,277,200</u>	<u>18,227,525</u>	<u>265,323</u>	<u>101,770,048</u>
Carrying amount:				
Land use rights	153,648,767	4,335,473	1,621,515	159,605,755
Software licenses	19,489,319	(3,663,301)	—	15,826,018
Patents, licenses and technical know-how	158,803,304	6,758,452	900,835	166,462,591
	<u>331,941,390</u>	<u>7,430,624</u>	<u>2,522,350</u>	<u>341,894,364</u>
Impairment provision:				
Land use rights	—	—	—	—
Software licenses	—	—	—	—
Patents, licenses and technical know-how	131,627,620	—	—	131,627,620
	<u>131,627,620</u>	<u>—</u>	<u>—</u>	<u>131,627,620</u>
Net carrying amount:				
Land use rights	153,648,767	4,335,473	1,621,515	159,605,755
Software licenses	19,489,319	(3,663,301)	—	15,826,018
Patents, licenses and technical know-how	27,175,684	6,758,452	900,835	34,834,971
	<u>200,313,770</u>	<u>7,430,624</u>	<u>2,522,350</u>	<u>210,266,744</u>

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

14. Intangible assets (continued)

The amount of amortisation in 2013 was RMB21,900,548 (2012 (Restated): RMB18,227,525).

As at 31 December 2013, the title of intangible assets with a net carrying amount of RMB17,768,386 (31 December 2012 (Restated): RMB17,898,909) was restricted, refer to Note V.19.

As at 31 December 2013, the Group was in the process of applying for the title certificates of certain of its land use rights in Mainland China with an aggregate carrying amount of RMB17,248,964 (31 December 2012 (Restated): Nil). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land, and also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2013.

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

Development expenditure is as follows:

2013

	Opening balance	Increase	Decrease		Closing balance
			Recognised in profit or loss	Recognised as an intangible asset	
Development expenses	<u>51,855,957</u>	<u>20,090,600</u>	<u>—</u>	<u>11,256,496</u>	<u>60,690,061</u>

2012 (Restated)

	Opening balance	Increase	Decrease		Closing balance
			Recognised in profit or loss	Recognised as an intangible asset	
Development expenses	<u>39,322,801</u>	<u>20,780,103</u>	<u>—</u>	<u>8,246,947</u>	<u>51,855,957</u>

As at 31 December 2013, intangible assets arising from internal development accounted for 10.98% (31 December 2012 (Restated): 9.27%) of the year-end net carrying amount of intangible assets.

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

15. Goodwill

2013

	Opening balance	Exchange realignment	Closing balance	Impairment provision	Net value at end of year
Goodwill	<u>60,776,186</u>	<u>(487,695)</u>	<u>60,288,491</u>	<u>46,517,958</u>	<u>13,770,533</u>

2012 (Restated)

	Opening balance	Exchange realignment	Closing balance	Impairment provision	Net value at end of year
Goodwill	<u>58,694,931</u>	<u>2,081,255</u>	<u>60,776,186</u>	<u>—</u>	<u>60,776,186</u>

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

The recoverable amount of the goodwill was determined according to the present value of expected future cash flows the asset group. The expected future cash flows were determined according to cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied for the cash flow projections was 15% (2012 (Restated): 15%), and cash flows beyond the five-year period were extrapolated using a growth rate of 2% (2012 (Restated): 2%).

Assumptions were used for the calculation of the present values of expected future cash flows of the asset groups as at 31 December 2013 and 31 December 2012. Key assumptions made by management on projections of cash flows used in the test for impairment are described as follows:

- Budgeted gross margin — It is determined on the basis of the average gross margin achieved in the year immediately before the budget year by properly increasing the average gross margin according to expected efficiency improvement, and expected market development.
- Discount rates — The discount rates used are pre-tax discount rates which reflect specific risks related to the relevant asset groups.

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

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

16. Deferred tax assets/liabilities

The deferred tax assets and deferred tax liabilities are not stated at net amount after offsetting:

Recognised deferred tax assets and liabilities:

Deferred tax assets:

	31 December 2013	31 December 2012 (Restated)
Provision for impairment of assets	20,982,082	22,608,189
Provision for product quality warranties	51,014,721	32,612,506
Government grants	36,737,248	31,558,446
Payroll payable	9,027,096	6,000,000
Deductible losses	7,449,739	—
Others	4,188,581	—
	129,399,467	92,779,141

Deferred tax liabilities:

	31 December 2013	31 December 2012 (Restated)
Fair value adjustments arising from acquisition of subsidiaries	936,034	4,028,418
Depreciation differences arising from different depreciation terms in tax laws and accounting	14,447,505	12,256,748
	15,383,539	16,285,166

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

	31 December 2013	31 December 2012 (Restated)
Deductible losses	97,201,319	69,413,713
Deductible temporary differences	111,315,044	31,784,578
	208,516,363	101,198,291

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31 December 2013

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

16. Deferred tax assets/liabilities (continued)

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

	31 December 2013	31 December 2012 (Restated)
2013	—	5,684,466
2014	7,349,713	7,349,713
2015	14,172,063	14,172,063
2016	18,015,639	18,015,639
2017	24,191,832	24,191,832
2018	33,472,072	—
	97,201,319	69,413,713

Temporary differences from assets or liabilities that result in differences are presented as follows:

	31 December 2013	31 December 2012 (Restated)
Deductible temporary differences:		
Provision for impairment of assets	138,955,698	150,721,258
Provision for product quality warranties	339,255,907	217,416,706
Government grants	238,638,659	203,975,375
Payroll payable	60,180,641	40,000,000
Deductible losses	37,248,697	—
Others	27,923,874	—
	842,203,476	612,113,339
Taxable temporary differences:		
Fair value adjustments arising from acquisition of subsidiaries	4,680,170	16,442,521
Depreciation differences arising from different depreciation terms in tax laws and accounting	72,237,525	50,027,544
	76,917,695	66,470,065

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

17. Other non-current assets

	31 December 2013	31 December 2012 (Restated)
Prepayments for acquisition of land use rights	42,831,600	57,824,581
Prepayments for construction in progress	3,110,801	10,851,276
Prepayments for purchase of machinery and equipment	7,033,783	11,053,621
	<u>52,976,184</u>	<u>79,729,478</u>

18. Provision for impairment of assets

2013

	Opening balance	Provision	Decrease		Exchange realignment	Closing balance
			Reversal	Write-off		
Provision for bad debt	45,749,726	13,642,449	(3,088,153)	(568,834)	(20,760)	55,714,428
Provision for impairment of inventories	141,001,821	29,492,695	(78,415,470)	(227,345)	(88,645)	91,763,056
Provision for impairment of fixed assets	46,693,495	—	—	(1,615,890)	—	45,077,605
Provision for impairment of intangible assets	131,627,620	—	—	—	—	131,627,620
Provision for impairment of goodwill	—	46,517,958	—	—	—	46,517,958
	<u>365,072,662</u>	<u>89,653,102</u>	<u>(81,503,623)</u>	<u>(2,412,069)</u>	<u>(109,405)</u>	<u>370,700,667</u>

2012 (Restated)

	Opening balance	Provision	Decrease		Exchange realignment	Closing balance
			Reversal	Write-off		
Provision for bad debt	40,909,920	8,894,774	(3,484,010)	(583,204)	12,246	45,749,726
Provision for impairment of inventories	142,007,574	39,161,631	(33,388,504)	(7,790,308)	1,011,428	141,001,821
Provision for impairment of fixed assets	46,693,495	—	—	—	—	46,693,495
Provision for impairment of intangible assets	131,627,620	—	—	—	—	131,627,620
	<u>361,238,609</u>	<u>48,056,405</u>	<u>(36,872,514)</u>	<u>(8,373,512)</u>	<u>1,023,674</u>	<u>365,072,662</u>

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

19. Assets with restrictions on title

2013

	Opening balance	Increase	Decrease	Closing balance	Notes
Pledged assets					
Cash and bank balances	28,386,152	29,461,518	28,386,152	29,461,518	Note 1
Bills receivable	—	1,000,000	—	1,000,000	Note 2
Fixed assets	30,276,793	7,033,613	2,448,610	34,861,796	Note 3
Intangible assets	17,898,909	—	130,523	17,768,386	Note 4
	<u>76,561,854</u>	<u>37,495,131</u>	<u>30,965,285</u>	<u>83,091,700</u>	

2012 (Restated)

	Opening balance	Increase	Decrease	Closing balance	Notes
Pledged assets					
Cash and bank balances	104,002,637	28,386,152	104,002,637	28,386,152	Note 1
Bills receivable	198,894,960	—	198,894,960	—	Note 2
Fixed assets	27,093,551	3,183,242	—	30,276,793	Note 3
Intangible assets	—	17,898,909	—	17,898,909	Note 4
	<u>329,991,148</u>	<u>49,468,303</u>	<u>302,897,597</u>	<u>76,561,854</u>	

The Group's assets with restrictions on title were as follows:

Note 1: The Group pledged its cash and bank balances of RMB21,535,606 (31 December 2012 (Restated): RMB21,421,004) as a security deposit for issuance of bank acceptance bills; the Group pledged its cash and bank balances of RMB7,925,912 (31 December 2012 (Restated): RMB6,965,148) as a security deposit for obtaining a bank letter of guarantee.

Note 2: The Group pledged its bills receivable of RMB1,000,000 (31 December 2012 (Restated): Nil) to obtain bank borrowings.

Note 3: The Group pledged its fixed assets with a net carrying amount of RMB34,861,796 (31 December 2012 (Restated): RMB30,276,793) to obtain bank borrowings.

Note 4: The Group pledged its intangible assets with a net carrying amount of RMB17,768,386 (31 December 2012 (Restated): RMB17,898,909) to obtain bank borrowings.

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

20. Short-term borrowings

	31 December 2013	31 December 2012 (Restated)
Credit loans	2,799,996	—
Mortgaged loans	2,195,132	—
Pledged loans	1,000,000	—
Other loans(Note V. 28. Note)	25,177,293	—
	31,172,421	—

21. Bills payable

	31 December 2013	31 December 2012 (Restated)
Commercial acceptance bills	91,841,000	—
Bank acceptance bills	837,077,770	713,768,911
	928,918,770	713,768,911

Bills with an amount of RMB928,918,770 (31 December 2012 (Restated): RMB713,768,911) will be due in the next accounting period.

Details of the amounts due to related parties in the balance of bills payable are disclosed in Note VI Related party relationships and transactions.

22. Trade payables

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

	31 December 2013	31 December 2012 (Restated)
Within 3 months	1,288,551,535	914,106,974
3 months to 1 year	303,215,820	204,113,602
1 to 2 years	55,258,225	139,793,516
2 to 3 years	91,891,313	7,194,408
Over 3 years	10,754,810	8,439,873
	1,749,671,703	1,273,648,373

Details of the amounts due to related parties in the balance of trade payables are disclosed in Note VI Related party relationships and transactions.

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

23. Receipts in advance

	31 December 2013	31 December 2012 (Restated)
Within 1 year	359,736,136	271,935,926
1 to 2 years	25,510,507	18,151,835
2 to 3 years	1,047,475	632,100
Over 3 years	1,793,345	1,258,876
	388,087,463	291,978,737

Details of the amounts due to related parties in the balance of receipts in advance are disclosed in Note VI Related party relationships and transactions.

24. Employee benefits payable

2013

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Salaries, bonuses, allowances and subsidies	40,000,000	563,491,945	551,202,364	(60,856)	52,228,725
Staff welfare	—	52,383,761	52,383,761	—	—
Social security	9,367,245	157,576,752	156,656,472	(5)	10,287,520
Including: Basic medical insurance	942,714	23,451,719	24,313,561	—	80,872
Supplementary medical insurance	1,622,525	15,368,970	16,300,550	—	690,945
Basic pension insurance	220,232	69,346,588	68,851,765	(5)	715,050
Annuity	6,487,139	35,356,514	33,334,413	—	8,509,240
Unemployment insurance	68,754	6,705,706	6,555,344	—	219,116
Work injury insurance	2,727	5,081,376	5,041,630	—	42,473
Maternity insurance	23,154	2,265,879	2,259,209	—	29,824
Housing fund	55,500	42,853,350	42,658,074	—	250,776
Union fund and employee education fund	9,670,599	21,088,855	17,973,313	—	12,786,141
Others	4,818,819	20,237,372	11,633,486	(115,706)	13,306,999
	63,912,163	857,632,035	832,507,470	(176,567)	88,860,161

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

24. Employee benefits payable (continued)

2012 (Restated)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Salaries, bonuses, allowances and subsidies	2,028,323	532,326,993	494,432,823	77,507	40,000,000
Staff welfare	—	40,080,826	40,080,826	—	—
Social security	4,982,651	123,440,691	119,062,498	6,401	9,367,245
Including: Basic medical insurance	106,809	20,658,613	19,822,708	—	942,714
Supplementary medical insurance	205,391	1,987,435	570,301	—	1,622,525
Basic pension insurance	207,222	59,817,310	59,810,701	6,401	220,232
Annuity	4,252,483	29,295,391	27,060,735	—	6,487,139
Unemployment insurance	186,396	5,655,213	5,772,855	—	68,754
Work injury insurance	4,626	4,140,688	4,142,587	—	2,727
Maternity insurance	19,724	1,886,041	1,882,611	—	23,154
Housing fund	31,717	35,057,964	35,034,181	—	55,500
Union fund and employee education fund	4,528,979	19,404,909	14,263,289	—	9,670,599
Others	3,818,852	9,728,690	8,831,548	102,825	4,818,819
	<u>15,390,522</u>	<u>760,040,073</u>	<u>711,705,165</u>	<u>186,733</u>	<u>63,912,163</u>

As at 31 December 2013, there were no employee benefits payable in arrears (31 December 2012 (Restated): Nil).

25. Taxes payable

	31 December 2013	31 December 2012 (Restated)
Corporate income tax	159,686,141	177,797,661
Value-added tax	20,074,762	145,988,964
City maintenance and construction and education surcharge	9,797,152	16,693,238
Individual income tax	6,594,389	14,855,801
Others	3,225,076	858,500
	<u>199,377,520</u>	<u>356,194,164</u>

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

26. Other payables

	31 December 2013	31 December 2012 (Restated)
Within 1 year	148,069,030	90,460,897
1 to 2 years	33,877,862	26,224,786
2 to 3 years	16,249,297	13,384,460
Over 3 years	2,431,276	1,659,064
	200,627,465	131,729,207

Details of the amounts due to related parties in the balance of other payables are disclosed in Note VI Related party relationships and transactions.

27. Non-current liabilities due within one year

	31 December 2013	31 December 2012 (Restated)
Long-term borrowings due within one year (Note V.28)	12,189,906	41,370,553
Provisions due within one year (Note V.29)	129,761,156	86,102,409
Deferred income due within one year (Note V.30)	91,849,612	74,747,912
	233,800,674	202,220,874

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

28. Long-term borrowings

	31 December 2013	31 December 2012 (Restated)
Mortgaged loans	31,907,716	39,218,029
Other loans (Note)	32,461,947	30,489,439
	64,369,663	69,707,468
Less: Long-term borrowings due within one year (Note V. 27)	12,189,906	41,370,553
	52,179,757	28,336,915

Maturity analysis

	31 December 2013	31 December 2012 (Restated)
Due within 1 year	12,189,906	41,370,553
Due within 2 years	11,982,095	10,523,232
Due within 3 to 5 years	40,197,662	17,813,683
	64,369,663	69,707,468

Note: Pursuant to the relevant borrowing agreement, the other loans are secured by floating charges over certain assets. The carrying amounts of such assets as at 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012 (Restated)
Cash and bank balances	4,437,979	13,941,107
Trade receivables	72,680,143	44,360,022
Other receivables	2,239,989	451,261
Prepayments	1,329,886	1,165,286
Inventories	70,344,531	69,211,819
Other current assets	797,732	785,327
Fixed assets	145,591,778	156,034,576
Construction in progress	8,828,552	8,759,575
	306,250,590	294,708,973

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

29. Provisions

2013

	Opening balance	Increase	Decrease	Closing balance
Provision for product quality warranties	<u>217,430,039</u>	<u>285,542,903</u>	<u>163,717,035</u>	<u>339,255,907</u>
Less: Provisions due within one year (Note V. 27)				<u>129,761,156</u>
				<u>209,494,751</u>

2012 (Restated)

	Opening balance	Increase	Decrease	Closing balance
Provision for product quality warranties	<u>203,628,246</u>	<u>151,402,945</u>	<u>137,601,152</u>	217,430,039
Less: Provisions due within one year (Note V. 27)				<u>86,102,409</u>
				<u>131,327,630</u>

30. Other non-current liabilities

	31 December 2013	31 December 2012 (Restated)
Deferred income	<u>150,787,851</u>	<u>129,227,463</u>

Details of deferred income are presented as follows:

	31 December 2013	31 December 2012 (Restated)
Government grants related to assets	<u>149,647,463</u>	131,734,375
Government grants related to income	<u>92,990,000</u>	<u>72,241,000</u>
	<u>242,637,463</u>	203,975,375
Less: Deferred income due within one year (Note V. 27)	<u>91,849,612</u>	<u>74,747,912</u>
	<u>150,787,851</u>	<u>129,227,463</u>

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

31. Share capital

	Opening balance (Restated)		Increase (Note)	Closing balance	
	Carrying amount	Percentage (%)		Carrying amount	Percentage (%)
Registered, issued and paid unrestricted shares:					
State-owned legal person shares	628,147,237	57.93	—	628,147,237	53.44
Overseas listed foreign shares	456,108,400	42.07	91,221,000	547,329,400	46.56
	<u>1,084,255,637</u>	<u>100.00</u>	<u>91,221,000</u>	<u>1,175,476,637</u>	<u>100.00</u>

Note: In October 2013, the Company issued 91,221,000 H Shares with a nominal value of RMB1 each through the Hong Kong Stock Exchange. The issue price was HKD25 per share. The total proceeds before deducting issuing expenses amounted to HKD2,280,525,000 (equivalent to approximately RMB1,803,872,470). After deducting issuing expenses amounting to RMB27,923,915, the net proceeds amounting to RMB1,775,948,555. RMB91,221,000 of net proceeds accounted as share capital increased, the exceeded RMB1,684,727,555 as share premium was recorded in capital surplus.

The increase in share capital during the current year has been verified by Ernst & Young Huaming LLP and the Capital Verification Report Ernst & Young Huaming(2013) Yanzi No.60467257_A01 (安永華明(2013)驗字第60467257_A01號) has thus been issued upon Ernst & Young Huaming' s verification.

32. Capital reserve

2013

	Opening balance	Transferred in (Note V.31 note)	Transferred out (Note IV.4)	Closing balance
Share premium	1,693,508,949	1,684,727,555	—	3,378,236,504
Others	—	—	(23,936,302)	(23,936,302)
	<u>1,693,508,949</u>	<u>1,684,727,555</u>	<u>(23,936,302)</u>	<u>3,354,300,202</u>

2012 (Restated)

	Opening balance	Transferred in	Transferred out	Closing balance
Share premium	<u>1,693,508,949</u>	<u>—</u>	<u>—</u>	<u>1,693,508,949</u>

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

33. Surplus reserve

2013

	Opening balance	Increase	Closing balance
Statutory surplus reserve	<u>469,062,942</u>	<u>155,558,401</u>	<u>624,621,343</u>

2012 (Restated)

	Opening balance	Increase	Closing balance
Statutory surplus reserve	<u>350,134,445</u>	<u>118,928,497</u>	<u>469,062,942</u>

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

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

34. Retained earnings

	2013	2012 (Restated)
Retained earnings at the end of last year	2,952,057,924	2,218,523,143
Add: A business combination involving an enterprise under common control	5,866,554	3,187,408
Retained earnings at the beginning of the year	2,957,924,478	2,221,710,551
Add: Net profit attributable to shareholders of the Parent	1,467,020,759	1,223,789,341
A business combination involving an enterprise under common control	(7,548,969)	—
Less: Appropriation to statutory surplus reserve (Note 1)	155,558,401	118,928,497
Cash dividends paid (Note 2)	379,489,473	368,646,917
Retained earnings at the end of the year	<u>3,882,348,394</u>	<u>2,957,924,478</u>

Note 1: As at 31 December 2013, included in the retained earnings under the Group's consolidated statement of changes in equity, the appropriation to surplus reserve of subsidiaries for the current year which attributable to shareholders of the parent is RMB3,856,712 (31 December 2012 (Restated): RMB2,747,757).

Note 2: Pursuant to Year 2012 Annual General Meeting held on 10 June 2013, a final dividend of RMB0.35 was paid on each of the 1,084,255,637 shares in issue, amounting to a total cash dividend of RMB379,489,473. The dividend was paid during 2013.

Pursuant to Year 2011 Annual General Meeting held on 8 June 2012, a final dividend of RMB0.34 was paid on each of the 1,084,255,637 shares in issue, amounting to a total cash dividend of RMB368,646,917. The dividend was paid during 2012.

Pursuant to the board of directors' meeting held on 25 March 2014, a proposed final dividend of RMB0.35 was paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB411,416,823. The above proposal needs to be approved at the Annual General Meeting. Before the approval of the general meeting of shareholders, it will not form part of the Company's liabilities, therefore it was not reflected in the current financial statements.

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

35. Revenue and cost of sales

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

Revenue is stated as follows:

	2013	2012 (Restated)
Revenue from principal operations	8,732,681,851	7,178,312,782
Other operating income	123,281,711	70,550,046
	<u>8,855,963,562</u>	<u>7,248,862,828</u>

Cost of sales is stated as follows:

	2013	2012 (Restated)
Cost of sales from principal operations	5,621,160,614	4,764,384,152
Other operating costs	73,387,195	38,364,354
	<u>5,694,547,809</u>	<u>4,802,748,506</u>

Details of revenue are listed as follows:

	2013	2012 (Restated)
Sale of goods	8,828,864,276	7,219,892,525
Rendering of services	3,929,269	6,344,770
Rental income	11,235,640	14,071,560
Others	11,934,377	8,553,973
	<u>8,855,963,562</u>	<u>7,248,862,828</u>

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

36. Business taxes and surcharges

	2013	2012 (Restated)
City maintenance and construction tax	43,413,322	36,086,820
Education surtax	30,666,750	25,912,661
Others	1,201,230	810,512
	<u>75,281,302</u>	<u>62,809,993</u>

The calculation basis of the above business taxes and surtax and the related applicable tax rates are disclosed in Note III Tax.

37. Administrative expenses

Administrative expenses for the year 2013 included auditors' remuneration of RMB3,380,000 (2012 (Restated): RMB3,000,000).

38. Finance costs

	2013	2012 (Restated)
Interest expenses:		
—Interest on bank loans due for full repayment within 5 years	2,785,260	4,572,947
—Interest on short-term bonds	—	11,381,031
	<u>2,785,260</u>	15,953,978
Interest income	(20,655,853)	(11,281,079)
Exchange gains	(13,636,288)	(20,583,407)
Others	4,019,497	6,747,818
	<u>(27,487,384)</u>	<u>(9,162,690)</u>

39. Asset impairment losses

	2013	2012 (Restated)
Bad debt loss	10,554,296	5,410,764
Impairment losses/(reversal) of inventories	(48,922,775)	5,773,127
Impairment losses of goodwill	46,517,958	—
	<u>8,149,479</u>	<u>11,183,891</u>

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

40. Investment income

	2013	2012 (Restated)
Income from non-listed investments:		
Long-term equity investment income under the equity method	12,578,234	77,503,842
Income from entrusted loans	—	9,410,938
Bank financial product income	—	11,759,950
	<u>12,578,234</u>	<u>98,674,730</u>

Details of long-term equity investment income under the equity method are as follows:

Investees	2013	2012 (Restated)	Reason for change
Siemens Traction Equipment Ltd., Zhuzhou	(124,995)	55,068,245	Operating loss
Zhuzhou Shiling Transportation Equipment Company, Ltd.	16,182,854	25,514,521	Profit decrease
Hunan CSR Webtec Railway Transportation Technology Co., Ltd.	(3,479,625)	(3,078,924)	Operating loss
	<u>12,578,234</u>	<u>77,503,842</u>	

As at 31 December 2013, the repatriation of the Group's investment income was not subject to significant restriction.

41. Non-operating income

	2013	2012 (Restated)
Gain on disposal of non-current assets	444,998	240,284
Refunds of value-added tax	68,055,389	89,100,535
Government grants	16,529,825	25,654,127
Unsettled payment	1,575,525	996,636
Penalty income and default compensation income	2,785,775	3,718,457
Others	863,429	2,700,615
	<u>90,254,941</u>	<u>122,410,654</u>

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

41. Non-operating income (continued)

Government grants recognised in the statement of profit or loss for the current period are as follows:

	2013	2012 (Restated)
Technology projects funding	9,971,012	9,460,000
Others	6,558,813	16,194,127
	16,529,825	25,654,127

42. Non-operating expenses

	2013	2012 (Restated)
Loss on disposal of non-current assets	713,310	605,759
Loss on penalties and compensation	217,388	31,328
Others	144,020	519,042
	1,074,718	1,156,129

43. Total profit

The costs and expenses by nature of the Group are as follows:

	2013	2012 (Restated)
Cost of inventories sold	5,621,160,614	4,764,384,152
Staff costs	857,632,035	760,040,073
Depreciation	138,462,059	128,604,095
Amortisation of intangible assets	21,900,548	18,227,525
Auditors' remuneration	3,380,000	3,000,000

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

44. Income tax expense

	2013	2012 (Restated)
Current income tax expense		
— Mainland China	270,889,114	211,865,276
— Other countries and regions	39,694	5,732
	<u>270,928,808</u>	<u>211,871,008</u>
Deferred tax expense	(33,573,537)	(33,279,100)
	<u>237,355,271</u>	<u>178,591,908</u>

The Group did not generate any assessable profits in Hong Kong and hence no provision was made for Hong Kong profits tax.

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

	2013	2012 (Restated)
Total profit	<u>1,703,580,158</u>	<u>1,403,781,261</u>
Income tax expense at statutory tax rate of 25% (Note)	425,895,039	350,945,315
Effect of different income tax rates for overseas entities	(5,564)	(98,751)
Tax exemption	(178,064,276)	(143,162,136)
Profits and losses attributable to associates and a joint venture	(1,886,735)	(11,625,576)
Income not subject to tax	(556,762)	(795,089)
Expenses not deductible for tax	16,454,964	12,921,005
Income tax benefits on research and development expenditure	(26,558,591)	(20,265,085)
Tax losses not recognised	8,383,630	6,081,320
Utilisation of tax losses carried forward from previous periods	(827,739)	(1,864,246)
Others	(5,478,695)	(13,544,849)
	<u>237,355,271</u>	<u>178,591,908</u>
Tax expense at the Group's effective tax rate		

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

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

45. Earnings per share

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

The calculation of basic earnings per share is as follows:

	2013	2012 (Restated)
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	<u>1,467,020,759</u>	<u>1,223,789,341</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>1,101,000,314</u>	<u>1,084,255,637</u>
Basic earnings per share (Yuan/share)	<u>1.33</u>	<u>1.13</u>
Diluted earnings per share (Yuan/share)	<u>1.33</u>	<u>1.13</u>

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

46. Other comprehensive income/(loss)

	2013	2012 (Restated)
Exchange differences on translation of foreign operations	<u>(1,096,328)</u>	<u>11,414,278</u>

Notes to Financial Statements

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

47. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

	2013	2012 (Restated)
Adjustment of net profit to cash flows from operating activities:		
Net profit	1,466,224,887	1,225,189,353
Add: Provision for impairment of assets	8,149,479	11,183,891
Depreciation	138,462,059	128,604,095
Amortisation of intangible assets	21,900,548	18,227,525
Losses from disposal of fixed assets, intangible assets and other long-term assets	268,312	365,475
Provision of special reserve	1,148,151	—
Finance costs	2,785,260	15,953,978
Investment income	(12,578,234)	(98,674,730)
Increase in deferred tax assets	(32,396,272)	(33,061,592)
Increase/(decrease) in deferred tax liabilities	(901,627)	559,685
Decrease/(increase) in inventories	(269,108,431)	551,877,222
Increase in operating receivables	(1,415,345,348)	(1,293,245,662)
Increase in operating payables	817,376,728	719,709,358
Net cash flows from operating activities	<u>725,985,512</u>	<u>1,246,688,598</u>

(2) Cash and cash equivalents

	2013	2012 (Restated)
Cash		
Including: Cash on hand	18,163	17,366
Bank deposits on demand	<u>3,118,383,711</u>	<u>2,297,269,420</u>
Closing balance of cash and cash equivalents	<u>3,118,401,874</u>	<u>2,297,286,786</u>

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VI. Related party relationships and transactions

1. Parent company

Name of the parent company	Place of registration	Nature of business	Registered capital	Proportion of shareholding (%)	Proportion of votes (%)
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司)	Zhuzhou, Hunan	Manufacturing	4,032,900,000	50.16	50.16

The parent company of CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司) is CSR Corporation Limited.

The ultimate holding party of the Company is CSR Group, which is an enterprise directly under the central government directly administered by the State-owned Assets Supervision and Administration Commission of the State Council.

In 2013, CSR Corporation Limited increased the capital contribution amount by RMB1,050,000,000 to CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.. After completion of the capital increase, the registered capital and paid-in capital of CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. increased to RMB4,032,900,000.

2. Subsidiaries

For details of the subsidiaries of the Company, please refer to Note IV. Scope of consolidation of the consolidated financial statements.

Investments in subsidiaries

	31 December 2013	31 December 2012 (Restated)
Non-listed shares, at cost	791,048,729	736,685,311

The amounts of receivables from and payables to subsidiaries in the current assets and current liabilities of the Company are RMB787,679,886 (31 December 2012 (Restated): RMB423,997,783) and RMB318,309,754 (31 December 2012 (Restated): RMB129,449,130), respectively. The amounts of the Company's receivables from and payables to subsidiaries are non-interest-bearing and unsecured amounts. Of these amounts, the repayment period of the trading amounts is determined by the provisions of the trading terms, whereas non-trading amounts are not subject to any fixed repayment period.

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VI. Related party relationships and transactions (continued)

4. Other related parties (continued)

Name of the companies

CSR Yangtze Tongling Rolling Stock Co., Ltd.
Nanjing Puzhen Haitai Brake Equipment Co., Ltd.
Nanjing CSR Haida Railway Service Co., Ltd.
Changzhou Ruitai Engineering Machinery Co., Ltd.
CSR Zhuzhou Electric Co., Ltd.
Ziyang CSR Electric Locomotive Co., Ltd.
CSR Ziyang Transmission Co., Ltd.
Sichuan Brake Technology Co., Ltd.
Zhuzhou Gofront Braking Equipment Co., Ltd.
CSR Guangdong Rolling Stock Co., Ltd.
Bombardier Sifang (Qingdao) Transportation Ltd.
Changzhou Ruiyang Transmission Technology Co., Ltd.
Xiangyang CSR Electric Machinery Co., Ltd.
Xiangyang China Railway Hongji Engineering Co., Ltd.
Zhuzhou Electromechanical Technology Co. Ltd.
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.
Hunan CSR Times Electric Vehicle Co., Ltd.
Shanghai CSR Hange Shipping Engineering Co., Ltd.
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.
Zhuzhou Times Electric Insulation Co., Ltd.
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.
Zhuzhou Times New Material Technology Co., Ltd.
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.
Zhuzhou Electric Vehicle Co., Ltd.
Zhuzhou CSR Times Hi-tech Investment & Trusting Co., Ltd.
Zhuzhou Shiling Transportation Equipment Company, Ltd. ("Shiling")
Siemens Traction Equipment Ltd., Zhuzhou ("Zhuzhou Siemens")
Hunan CSR Webtec Railway Transportation Technology Co., Ltd. ("Xiwu")

Related party relationships

Corporation controlled by the ultimate holding party
Corporation controlled by the ultimate holding party
Corporation controlled by the ultimate holding party
Corporation controlled by the ultimate holding party
Corporation controlled by the ultimate holding party
Corporation controlled by the ultimate holding party
Corporation controlled by the ultimate holding party
Corporation controlled by the ultimate holding party
Corporation controlled by the ultimate holding party
Joint venture of the ultimate holding party
Joint venture of the ultimate holding party
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Associate of the parent company
Joint venture of the parent company
Joint venture of the Company
Associate of the Company
Associate of the Company

VI. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties

(1) Sales of goods to related parties

	2013	2012 (Restated)
CSR Zhuzhou Electric Locomotive Co., Ltd.	2,047,240,725	948,108,205
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	1,698,438,275	1,890,577,717
Shiling	304,997,461	367,661,277
CSR Sifang Rolling Stock Co., Ltd.	293,436,303	650,424
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	149,150,298	65,812,504
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	142,918,836	133,131,770
CSR Qishuyan Locomotive Co., Ltd.	105,692,741	322,533,099
CSR Shijiazhuang Rolling Stock Co., Ltd.	72,637,265	10,540,427
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	68,465,042	38,779,854
Zhuzhou Electromechanical Technology Co., Ltd.	40,832,696	5,500,337
Changzhou Ruitai Engineering Machinery Co., Ltd.	32,717,949	24,284,359
Hunan CSR Times Electric Vehicle Co., Ltd.	28,391,283	17,249,487
CSR Ziyang Locomotive Co., Ltd.	22,509,860	50,778,668
CSR Guangdong Rolling Stock Co., Ltd.	16,575,812	—
Qingdao CSR Sifang Sales Co., Ltd.	13,995,535	—
Xiangyang CSR Electric Machinery Co., Ltd.	12,840,897	—
Zhuzhou Times New Material Technology Co., Ltd.	10,051,282	—
Shijiazhuang King Transportation Equipment Co., Ltd.	9,974,196	8,559,985
CSR Luoyang Locomotive Co., Ltd.	9,787,033	6,066,667
Beijing North Gofront Science Business Co., Ltd.	9,755,203	6,942,855
Guangzhou Electrical Locomotive Co., Ltd.	9,648,168	50,920,732
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	7,358,530	13,708,767
CSR Hangzhou Rail Transit Co., Ltd.	6,497,624	—
Nanjing CSR Puzhen Rapid Transit Vehicles Co., Ltd.	5,805,706	—
CSR Zhuzhou Electric Co., Ltd.	5,282,845	175,940
Ningbo CSR Urban Rail Transit Equipment Co., Ltd.	4,617,094	—
Xiwu	3,665,137	—
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	3,165,812	20,427,350
Shanghai CSR Hange Shipping Engineering Co., Ltd.	2,882,697	—
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	633,333	666,667
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	579,386	342,771
Ziyang CSR Electric Locomotive Co., Ltd.	184,128	—
CSR Yangtze Co., Ltd.	20,513	—
Kunming CSR Urban Rail Vehicle Co., Ltd.	1,270	8,587
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	—	9,402
Nanjing CSR Haida Railway Service Co., Ltd.	—	7,692,308
Qingdao Sifang Coach Repair Co., Ltd.	—	232,812
	5,140,750,935	3,991,362,971

Notes to Financial Statements

31 December 2013

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VI. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(2) Purchases of goods from related parties

	2013	2012 (Restated)
Shiling	533,479,341	481,679,291
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	452,074,668	—
CSR Zhuzhou Electric Co., Ltd.	126,618,835	86,479,016
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	90,236,428	73,965,500
Zhuzhou Electromechanical Technology Co., Ltd.	85,902,159	120,360,478
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	79,028,096	57,877,113
CSR Qishuyan Locomotive Co., Ltd.	62,621,142	92,747,722
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	49,092,381	29,348,173
Changzhou Ruitai Engineering Machinery Co., Ltd.	39,806,496	27,037,949
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	33,522,619	47,555,585
Changzhou Ruiyang Transmission Technology Co., Ltd.	30,030,726	51,139,871
CSR Zhuzhou Electric Locomotive Co., Ltd.	23,930,487	14,636,488
Zhuzhou Times New Material Technology Co., Ltd.	15,176,760	3,418,909
Xiwu	7,953,682	—
Zhuzhou Gofront Braking Equipment Co., Ltd.	2,784,282	1,284,701
Hunan CSR Times Electric Vehicle Co., Ltd.	1,942,396	1,686,748
Shijiazhuang King Transportation Equipment Co., Ltd.	495,727	383,333
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	390,662	—
Sichuan Brake Technology Co., Ltd.	247,350	—
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	198,993	116,454,185
Zhuzhou Times Electric Insulation Co., Ltd.	103,489	10,346,621
Xiangyang CSR Electric Machinery Co., Ltd.	81,453	18,242,222
CSR Sifang Rolling Stock Co., Ltd.	38,462	56,410
CSR Shijiazhuang Rolling Stock Co., Ltd.	—	2,706
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	—	30,699
CSR Luoyang Locomotive Co., Ltd.	3,835,863	3,626,239
CSR Yangtze Tongling Rolling Stock Co., Ltd.	769,231	—
CSR Zhuzhou Electric Locomotive Works	—	1,244,444
CSR Ziyang Transmission Co., Ltd.	415,299	—
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	50,814	—
	1,640,827,841	1,239,604,403

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VI. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(3) Sales of electricity to related parties

	2013	2012 (Restated)
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	678,958	841,592
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	686,570	267,150
Zhuzhou Siemens	517,273	688,102
	<u>1,882,801</u>	<u>1,796,844</u>

(4) Purchases of electricity from related parties

	2013	2012 (Restated)
CSR Zhuzhou Electric Locomotive Co., Ltd.	73,933	84,278
Zhuzhou Electromechanical Technology Co., Ltd.	—	21,940
	<u>73,933</u>	<u>106,218</u>

(5) Sales of fixed assets to related parties

	2013	2012 (Restated)
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	<u>14,925</u>	<u>41,750</u>

(6) Purchases of fixed assets from related parties

	2013	2012 (Restated)
Zhuzhou Electromechanical Technology Co., Ltd.	2,682,168	—
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	259,369	868,632
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	15,405	—
	<u>2,956,942</u>	<u>868,632</u>

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VI. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(7) Purchases of intangible assets from related parties

	2013	2012 (Restated)
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	247,500	—
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	—	430,560
	<u>247,500</u>	<u>430,560</u>

(8) Provide entrusted loans to related parties

	2013	2012 (Restated)
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	<u>500,000,000</u>	—

(9) Related party leases

Income from assets leased to related parties

	2013	2012 (Restated)
Zhuzhou Siemens	4,960,857	6,132,438
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	2,841,315	1,947,928
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	525,280	—
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	8,086	350,000
	<u>8,335,538</u>	<u>8,430,366</u>

Expenses incurred from assets leased by related parties

	2013	2012 (Restated)
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	644,336	888,057
CSR Zhuzhou Electric Locomotive Works	487,563	244,332
Zhuzhou Electric Vehicle Co., Ltd.	475,677	306,100
	<u>1,607,576</u>	<u>1,438,489</u>

VI. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(10) Technical service income from related parties

	2013	2012 (Restated)
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	10,149,380	6,701,000
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	3,800,498	150,400
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	1,603,605	562,350
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	1,090,309	72,200
Zhuzhou Times New Material Technology Co., Ltd.	1,017,161	1,041,130
Hunan CSR Times Electric Vehicle Co., Ltd.	376,409	772,510
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	357,789	374,260
CSR Zhuzhou Electric Co., Ltd.	227,411	361,200
Zhuzhou Electromechanical Technology Co., Ltd.	207,000	171,150
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	188,679	—
Nanjing Puzhen Haitai Brake Equipment Co., Ltd.	188,679	—
Xiangyang CSR Electric Machinery Co., Ltd.	160,849	262,680
Shijiazhuang King Transportation Equipment Co., Ltd.	107,000	—
Zhuzhou CSR Times Hi-tech Investment & Trusting Co., Ltd.	51,972	31,890
Xiangyang China Railway Hongji Engineering Co., Ltd.	7,873	—
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	—	330,120
CSR Zhuzhou Electric Locomotive Co., Ltd.	—	254,000
CSR Ziyang Locomotive Co., Ltd.	—	70,000
Zhuzhou Electric Vehicle Co., Ltd.	—	36,755
	19,534,614	11,191,645

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VI. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(11) Technical service fees paid to related parties

	2013	2012 (Restated)
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	88,772,640	35,892,454
CSR Zhuzhou Electric Locomotive Co., Ltd.	10,000,000	615,000
Zhuzhou Electromechanical Technology Co., Ltd.	3,878,718	—
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	352,371	—
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	186,792	—
Shiling	112,610	—
	<u>103,303,131</u>	<u>36,507,454</u>

(12) A business combination involving an enterprise under common control

In December 2013, Times Equipment, a subsidiary of the Company, purchased the Certain Assets from Zhuzhou National Engineering Research Centre of Converters Co., Ltd., with the amount of RMB36,010,126. The purchase price was determined through the assessed value of Certain Assets as at 30 June 2013 by independent valuers, refer to Note IV.4.

(13) Remuneration of key management

	2013	2012 (Restated)
Remuneration of key management	<u>9,563,969</u>	<u>8,388,545</u>

The terms of the above sales and purchase transactions, sales and purchases of fixed assets and intangible assets, service transactions, entrusted loans to related parties and lease transactions with related parties were agreed by both parties.

VI. Related party relationships and transactions (continued)**5. Major transactions between the Group and its related parties** (continued)**(14) Commitments between the Group and related parties**

The commitments signed between the Group and the respective related parties which are not required to be presented in the financial statements as at the balance sheet date are as follows:

Sales of goods to related parties

	2014
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	771,161,913
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	183,067,824
Shiling	51,975,099
CSR Zhuzhou Electric Locomotive Co., Ltd.	8,357,837
Shijiazhuang King Transportation Equipment Co., Ltd.	3,032,064
CSR Ziyang Locomotive Co., Ltd.	580,202
	<u>1,018,174,939</u>

Purchases of goods from related parties

	2014
Shiling	728,287,609
CSR Zhuzhou Electric Co., Ltd.	98,628,623
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	83,653,172
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	14,563,967
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	11,827,200
Zhuzhou Electromechanical Technology Co., Ltd.	9,890,054
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	4,719,595
Hunan CSR Times Electric Vehicle Co., Ltd.	109,402
Zhuzhou Times New Material Technology Co., Ltd.	6,179
	<u>951,685,801</u>

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VI. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties

	31 December 2013	31 December 2012 (Restated)
Trade receivables:		
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	310,865,702	591,077,508
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	124,684,775	33,804,230
CSR Zhuzhou Electric Locomotive Co., Ltd.	123,357,520	523,886,679
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	81,589,680	55,580,532
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	57,991,221	43,856,997
CSR Sifang Rolling Stock Co., Ltd.	29,289,558	311,894
CSR Qishuyan Locomotive Co., Ltd.	26,316,177	73,832,971
CSR Guangdong Rolling Stock Co., Ltd.	19,393,700	—
CSR Ziyang Locomotive Co., Ltd.	17,820,398	14,952,711
Guangzhou Electrical Locomotive Co., Ltd.	17,390,623	41,650,000
Hunan CSR Times Electric Vehicle Co., Ltd.	11,538,169	5,117,768
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	11,255,935	417,066
Xiangyang CSR Electric Machinery Co., Ltd.	9,358,954	—
CSR Luoyang Locomotive Co., Ltd.	7,404,188	3,188,000
Shiling	7,276,258	54,927,684
Shijiazhuang King Transportation Equipment Co., Ltd.	6,472,675	4,776,805
CSR Zhuzhou Electric Co., Ltd.	6,209,386	—
Ningbo CSR Urban Rail Transit Equipment Co., Ltd.	4,770,000	—
CSR Shijiazhuang Rolling Stock Co., Ltd.	4,622,600	—
Xiwu	3,986,700	—
CSR Hangzhou Rail Transit Co., Ltd.	2,362,970	—
Shanghai CSR Hange Shipping Engineering Co., Ltd.	1,790,673	—
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	1,659,000	1,110,120
Qingdao CSR Sifang Sales Co., Ltd.	1,224,500	—
Zhuzhou Times New Material Technology Co., Ltd.	1,061,655	—
Beijing North Gofront Science Business Co., Ltd.	594,076	636,549
Guangzhou Rapid Transit Vehicles Equipment Co., Ltd.	288,950	577,900
Ziyang CSR Electric Locomotive Co., Ltd.	82,800	—
Zhuzhou CSR Times Hi-tech Investment & Trusting Co., Ltd.	55,090	31,890
Nanjing CSR Puzhen Rapid Transit Vehicles Co., Ltd.	52,300	—
Xiangyang China Railway Hongji Engineering Co., Ltd.	8,345	—
Qingdao Sifang Coach Repair Co., Ltd.	—	301,845
	890,774,578	1,450,039,149

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VI. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties (continued)

	31 December 2013	31 December 2012 (Restated)
Bills receivable:		
CSR Zhuzhou Electric Locomotive Co., Ltd.	812,536,231	90,000,000
CSR Sifang Rolling Stock Co., Ltd.	226,000,000	—
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	203,400,000	298,900,000
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	30,382,962	776,077
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	30,000,000	24,311,639
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	27,600,000	50,330,000
CSR Ziyang Locomotive Co., Ltd.	20,500,000	14,200,000
CSR Luoyang Locomotive Co., Ltd.	3,900,000	700,000
CSR Hangzhou Rail Transit Co., Ltd.	2,632,000	—
CSR Qishuyan Locomotive Co., Ltd.	1,000,000	50,000,000
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	800,000	650,000
Hunan CSR Times Electric Vehicle Co., Ltd.	780,000	360,000
CSR Yangtze Co., Ltd.	100,000	—
CSR Zhuzhou Electric Co., Ltd.	70,000	—
Zhuzhou Electromechanical Technology Co., Ltd.	31,000	—
Shijiazhuang King Transportation Equipment Co., Ltd.	—	2,900,000
Bombardier Sifang (Qingdao) Transportation Ltd.	—	4,000,000
	1,359,732,193	537,127,716

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31 December 2013

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VI. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties (continued)

	31 December 2013	31 December 2012 (Restated)
Prepayments:		
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	866,250	—
CSR Yangtze Co., Ltd.	860,907	—
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	166,398	—
CSR Zhuzhou Electric Locomotive Co., Ltd.	157,776	118,044
CSR Corporation Limited	40,000	118,100
CSR Qishuyan Locomotive Co., Ltd.	12,000	12,000
	2,103,331	248,144
Other receivables:		
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	1,633,918	1,654,912
Zhuzhou Siemens	40,239	35,109
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	20,000	34,000
	1,694,157	1,724,021
Held-to-maturity investments:		
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	500,000,000	—

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VI. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties (continued)

	31 December 2013	31 December 2012 (Restated)
Trade payables:		
CSR Zhuzhou Electric Co., Ltd.	85,141,692	95,448,062
Shiling	81,603,862	45,097,920
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	16,471,893	1,133,322
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	13,041,384	13,725,280
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	7,365,085	1,351,192
Changzhou Ruiyang Transmission Technology Co., Ltd.	5,772,948	1,040,000
Zhuzhou Electromechanical Technology Co., Ltd.	4,059,999	42,869,098
Changzhou Ruitai Engineering Machinery Co., Ltd.	3,897,460	1,573,860
CSR Zhuzhou Electric Locomotive Co., Ltd.	2,504,153	133,334
CSR Qishuyan Locomotive Co., Ltd.	2,418,798	—
Zhuzhou Times New Material Technology Co., Ltd.	1,786,406	445,775
Xiwu	1,133,226	—
Hunan CSR Times Electric Vehicle Co., Ltd.	956,676	122,733
Zhuzhou Gofront Braking Equipment Co., Ltd.	900,098	—
Xiangyang CSR Electric Machinery Co., Ltd.	871,550	1,323,400
CSR Sifang Rolling Stock Co., Ltd.	769,231	797,231
CSR Luoyang Locomotive Co., Ltd.	762,130	2,874,023
Beijing CSR Electric Sales Co., Ltd.	484,000	484,000
CSR Yangtze Tongling Rolling Stock Co., Ltd.	450,000	—
CSR Ziyang Transmission Co., Ltd.	386,322	—
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	166,974	45,323
Sichuan Brake Technology Co., Ltd.	109,927	—
Shijiazhuang King Transportation Equipment Co., Ltd.	39,188	784,688
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	17,208	32,992
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	15,107	—
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	5,110	—
Zhuzhou Times Electric Insulation Co., Ltd.	3,065	47,879
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	—	52,374,903
	231,133,492	261,705,015

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VI. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties (continued)

Bills payable:

	31 December 2013	31 December 2012 (Restated)
Shiling	75,000,000	90,000,000
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	7,000,000	12,300,000
Zhuzhou Electromechanical Technology Co., Ltd.	4,000,000	—
Changzhou Ruiyang Transmission Technology Co., Ltd.	2,000,000	—
Zhuzhou Times Electric Insulation Co., Ltd.	1,200,000	—
CSR Luoyang Locomotive Co., Ltd.	750,000	1,000,000
CSR Zhuzhou Electric Locomotive Co., Ltd.	657,001	—
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	558,861	625,031
Zhuzhou Gofront Braking Equipment Co., Ltd.	500,000	—
CSR Yangtze Tongling Rolling Stock Co., Ltd.	450,000	—
Zhuzhou Times New Material Technology Co., Ltd.	340,327	2,670,000
Sichuan Brake Technology Co., Ltd.	150,000	—
Xiangyang CSR Electric Machinery Co., Ltd.	100,000	—
Shijiazhuang King Transportation Equipment Co., Ltd.	95,000	—
CSR Sifang Rolling Stock Co., Ltd.	—	20,000
	92,801,189	106,615,031

Receipts in advance:

	31 December 2013	31 December 2012 (Restated)
CSR Zhuzhou Electric Locomotive Co., Ltd.	13,939,950	—
Nanjing CSR Puzhen Rapid Transit Vehicles Co., Ltd.	12,247,824	—
Hunan CSR Times Electric Vehicle Co., Ltd.	954,000	—
Shijiazhuang King Transportation Equipment Co., Ltd.	40,000	—
CSR Sifang Rolling Stock Co., Ltd.	15,200	—
CSR Shijiazhuang Rolling Stock Co., Ltd.	—	16,863,070
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	—	138,960
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	—	2,376,068
	27,196,974	19,378,098

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VI. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties (continued)

	31 December 2013	31 December 2012 (Restated)
Other payables:		
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	36,614,981	463,300
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	31,566,728	25,866,728
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	930,000	—
Zhuzhou Electromechanical Technology Co., Ltd.	509,469	—
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	500,000	—
	70,121,178	26,330,028

The Group's bills receivable from and bills payable to related parties are non-interest-bearing, unsecured and have fixed terms of repayment; and its held-to-maturity investments are interest-bearing, unsecured and have fixed terms of repayment. Other amounts due from and due to related parties are non-interest-bearing and unsecured. In particular, the repayment period of trading amounts is subject to the provisions of the trading terms. Non-trading amounts have no fixed repayment periods.

The above related party transactions between the Group and the companies controlled by the parent company, the companies controlled by the ultimate holding party and joint ventures of the ultimate holding party also constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules.

VII. Contingencies

As of the balance sheet date, the Group had no contingencies which should be disclosed.

VIII. Commitments

	31 December 2013	31 December 2012 (Restated)
Capital commitments:		
Contracted but not provided for	214,025,586	189,779,858
Authorised but not contracted for	315,714,517	698,465,576
	529,740,103	888,245,434
Investment commitments:		
Authorised but not contracted for	91,100,000	—
Contracted but not fulfilled	—	16,616,071
	91,100,000	16,616,071

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IX. Post balance sheet events

As of the approval date of the financial statements, the Group had no material post balance sheet events which should be disclosed.

X. Other significant events

1. Operating lease

As lessor

The leases of the Group as lessor were the operating leases of buildings. Please refer to Note V. 13 for details. According to the lease contracts entered into with lessees, the minimum lease receivables under irrevocable leases were as follows:

	2013	2012 (Restated)
Within 1 year, inclusive	1,575,564	5,871,250
1 to 2 years, inclusive	18,500	1,537,232
2 to 3 years, inclusive	—	—
	<u>1,594,064</u>	<u>7,408,482</u>

As lessee

Significant operating leases

According to the lease contracts entered into with lessors, the minimum lease payables under irrevocable leases were as follows:

	2013	2012 (Restated)
Within 1 year, inclusive	6,157,343	5,624,499
1 to 2 years, inclusive	3,598,935	2,826,772
2 to 3 years, inclusive	2,855,539	2,093,215
Over 3 years	2,577,766	1,489,438
	<u>15,189,583</u>	<u>12,033,924</u>

Notes to Financial Statements

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X. Other Significant Events (continued)

2. Segment reporting

Operating segments

For management purposes, the Group's operating activities are attributable to a single operating segment, focusing on the provision of rolling stock and its extension products and services in the market. Therefore, no other operating segment is presented.

Group information

Products and services information

Revenue from external customers

	2013	2012 (Restated)
Rolling stock and its extension products and services	<u>8,855,963,562</u>	<u>7,248,862,828</u>

Geographical information

Revenue from external customers

	2013	2012 (Restated)
Mainland China	<u>8,579,561,711</u>	6,911,030,530
Other countries and regions	<u>276,401,851</u>	<u>337,832,298</u>
	<u>8,855,963,562</u>	<u>7,248,862,828</u>

Revenue from external customers is analysed by geographic locations where the customers are located.

Total non-current assets

	31 December 2013	31 December 2012 (Restated)
Mainland China	<u>2,230,244,200</u>	2,085,075,226
Other countries and regions	<u>193,599,409</u>	<u>275,557,033</u>
	<u>2,423,843,609</u>	<u>2,360,632,259</u>

Non-current assets are analysed by geographic locations where the assets are located, excluding financial assets and deferred tax assets.

Information of major customers

In 2013, the Group's operating revenue of RMB4,856,311,188 (which accounted for more than 10% of the Group's total revenue) was derived from sales to a single customer, including sales to a group of entities which are known to be under the control of the customer (2012 (Restated): RMB3,638,231,364 from a single customer, including sales to a group of entities which are known to be under the control of the customer.)

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X. Other Significant Events (continued)

3. Financial instruments and their risks

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

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk.

Classification of financial instruments

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

31 December 2013

Financial assets

	Loans and receivables
Cash and bank balances	3,136,090,686
Bills receivable	2,213,628,831
Trade receivables	2,693,866,426
Other receivables	58,087,799
Non-current assets due within one year	609,036
Held-to-maturity investments	1,100,000,000
Financial assets available-for-sale	900,000
Long-term receivables	31,660,131
	<hr/>
	9,234,842,909

Financial liabilities

	Other financial liabilities
Short-term borrowings	31,172,421
Bills payable	928,918,770
Trade payables	1,749,671,703
Other payables	200,627,465
Long-term borrowings (inclusive of long-term borrowings due within one year)	64,369,663
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	2,974,760,022

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X. Other Significant Events (continued)

3. Financial instruments and their risks (continued)

Classification of financial instruments (continued)

31 December 2012 (Restated)

Financial assets

	Loans and receivables
Cash and bank balances	2,318,915,451
Bills receivable	890,637,187
Trade receivables	2,737,063,058
Other receivables	54,126,114
Non-current assets due within one year	1,163,640
Financial assets available-for-sale	400,000
Long-term receivables	609,036
	<hr/>
	6,002,914,486
	<hr/> <hr/>

Financial liabilities

	Other financial liabilities
Bills payable	713,768,911
Trade payables	1,273,648,373
Other payables	131,729,207
Long-term borrowings (inclusive of long-term borrowings due within one year)	69,707,468
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	2,188,853,959
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Notes to Financial Statements

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X. Other Significant Events (continued)

3. Financial instruments and their risks (continued)

Credit risk

Credit risk is the risk of financial loss on one party of a financial instrument due to the failure of another party to meet its obligations.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the department of credit control in the Group.

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

The major customers of the Group are CSR Corporation Limited and its subsidiaries as well as other state-owned enterprises and institutions in the railway transportation industry. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. As at 31 December 2013, the Group had certain concentrations of credit risk as 11.6% (31 December 2012 (Restated): 21.3%) and 29.1% (31 December 2012 (Restated): 53.1%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note V. 3.

The maturity profile of the Group's financial assets which are regarded that no impairment has been incurred is analysed as follows:

31 December 2013

	Total	Neither overdue nor impaired	Overdue but not impaired	
			Within six months	Over six months
Trade receivables	2,342,380,962	2,342,380,962	—	—
Bills receivable	2,213,628,831	2,213,628,831	—	—
Other receivables	33,916,382	33,916,382	—	—
Non-current assets due within one year	609,036	609,036	—	—
Held-to-maturity investments	1,100,000,000	1,100,000,000	—	—
Financial assets available-for-sale	900,000	900,000	—	—
Long-term receivables	29,441,984	29,441,984	—	—
	5,720,877,195	5,720,877,195	—	—

X. Other Significant Events (continued)**3. Financial instruments and their risks** (continued)**Credit risk** (continued)

31 December 2012 (Restated)

	Total	Neither overdue nor impaired	Overdue but not impaired	
			Within six months	Over six months
Trade receivables	2,424,312,911	2,424,312,911	—	—
Bills receivable	890,637,187	890,637,187	—	—
Other receivables	43,742,036	43,742,036	—	—
Non-current assets due within one year	1,163,640	1,163,640	—	—
Financial assets available-for-sale	400,000	400,000	—	—
Long-term receivables	609,036	609,036	—	—
	<u>3,360,864,810</u>	<u>3,360,864,810</u>	<u>—</u>	<u>—</u>

As at 31 December 2013 and 31 December 2012, trade receivables that were neither overdue nor impaired were related to a large number of clients who have no recent history of default.

Liquidity risk

Liquidity risk is the risk that an enterprise may encounter a shortage of funds in meeting obligations associated with financial liabilities.

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

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

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

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X. Other Significant Events (continued)

3. Financial instruments and their risks (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial assets and liabilities based on the undiscounted contractual cash flows:

2013

Financial assets	Within 1 year	1 to 2 years	Over 2 years	Total
Cash and bank balances	3,136,090,686	—	—	3,136,090,686
Bills receivable	2,213,628,831	—	—	2,213,628,831
Trade receivables	2,694,251,799	—	—	2,694,251,799
Other receivables	58,087,799	—	—	58,087,799
Non-current assets due within one year	629,383	—	—	629,383
Held-to-maturity investments	1,138,641,507	—	—	1,138,641,507
Financial assets available-for-sale	—	—	900,000	900,000
Long-term receivables	—	7,384,325	24,835,410	32,219,735
	<u>9,241,330,005</u>	<u>7,384,325</u>	<u>25,735,410</u>	<u>9,274,449,740</u>

Financial liabilities	Within 1 year	1 to 2 years	Over 2 years	Total
Short-term borrowings	31,172,421	—	—	31,172,421
Bills payable	928,918,770	—	—	928,918,770
Trade payables	1,749,671,703	—	—	1,749,671,703
Other payables	200,627,465	—	—	200,627,465
Long-term borrowings (inclusive of long-term borrowings due within one year)	14,136,737	13,528,477	41,392,081	69,057,295
	<u>2,924,527,096</u>	<u>13,528,477</u>	<u>41,392,081</u>	<u>2,979,447,654</u>

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31 December 2013

Renminbi Yuan

X. Other Significant Events (continued)

3. Financial instruments and their risks (continued)

Liquidity risk (continued)

2012 (Restated)

Financial assets	Within 1 year	1 to 2 years	Over 2 years	Total
Cash and bank balances	2,318,915,451	—	—	2,318,915,451
Bills receivable	890,637,187	—	—	890,637,187
Trade receivables	2,737,063,058	—	—	2,737,063,058
Other receivables	54,126,114	—	—	54,126,114
Non-current assets due within one year	1,258,766	—	—	1,258,766
Financial assets available-for-sale	—	—	400,000	400,000
Long-term receivables	—	629,383	—	629,383
	<u>6,002,000,576</u>	<u>629,383</u>	<u>400,000</u>	<u>6,003,029,959</u>
Financial liabilities	Within 1 year	1 to 2 years	Over 2 years	Total
Bills payable	713,768,911	—	—	713,768,911
Trade payables	1,273,648,373	—	—	1,273,648,373
Other payables	131,729,207	—	—	131,729,207
Long-term borrowings (inclusive of long-term borrowings due within one year)	43,685,939	11,561,437	18,702,237	73,949,613
	<u>2,162,832,430</u>	<u>11,561,437</u>	<u>18,702,237</u>	<u>2,193,096,104</u>

Notes to Financial Statements

31 December 2013

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X. Other Significant Events (continued)

3. Financial instruments and their risks (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The main market risk that the Group is exposed to includes interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's bank borrowings with a floating interest rate.

The table below is a sensitivity analysis of interest rate risk. It reflects the effects on the total profit (through the impact on floating rate loans), when there are reasonable and potential changes in interest rates, with all other variables held constant.

	Increase/ (decrease) in basis points	Increase/ (decrease) in total profit	Increase/ (decrease) in shareholders' equity*
2013	+100	(577,308)	—
	-100	577,308	—
2012 (Restated)	+100	(682,150)	—
	-100	682,150	—

* excluding retained earnings

Foreign currency risk

Foreign currency risk is that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency risk mainly relates to its operating activities (when revenue and expenses are settled in a foreign currency that is different from the functional currency of the Group) and its net investments in overseas subsidiaries.

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

The Group is committed to reducing the foreign currency risk to a minimum, principally through closely tracking the changes of market exchange rates and adopting positive response measures. For the export business, the Group shall quote that pursuant to the expected value of exchange rate changes with respect to external business contracts under negotiation. The exchange rate floating ranges and the risks to be borne by both parties shall be clearly specified in relevant provisions during negotiations. For the import business, each entity of the Group is required to grasp the import settlement opportunities.

X. Other Significant Events (continued)**3. Financial instruments and their risks** (continued)**Market risk** (continued)**Foreign currency risk** (continued)

The following table demonstrates the sensitivity analysis to a reasonably possible change in the exchange rates of the Japanese yen, United States dollar and Great British pound, with all other variables held constant, of the Group's total profit. As the carrying amounts of financial instruments denominated in other currencies are not significant, their sensitivity analyses are omitted here.

2013

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in total profit	Increase/ (decrease) in shareholders' equity*
Japanese yen			
If RMB strengthens against Japanese yen	+10%	8,709,011	—
If RMB weakens against Japanese yen	-10%	(8,709,011)	—
United States dollar			
If RMB strengthens against United States dollar	+10%	(9,881,060)	—
If RMB weakens against United States dollar	-10%	9,881,060	—
Great British pound			
If RMB strengthens against Great British pound	+10%	7,114,650	—
If RMB weakens against Great British pound	-10%	(7,114,650)	—

* excluding retained earnings

2012 (Restated)

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in total profit	Increase/ (decrease) in shareholders' equity*
Japanese yen			
If RMB strengthens against Japanese yen	+10%	12,293,303	—
If RMB weakens against Japanese yen	-10%	(12,293,303)	—
United States dollar			
If RMB strengthens against United States dollar	+10%	(10,819,666)	—
If RMB weakens against United States dollar	-10%	10,819,666	—
Great British pound			
If RMB strengthens against Great British pound	+10%	4,345,897	—
If RMB weakens against Great British pound	-10%	(4,345,897)	—

* excluding retained earnings

Notes to Financial Statements

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X. Other Significant Events (continued)

3. Financial instruments and their risks (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio between 1% and 10%. Net debt includes interest-bearing bank and other borrowings, bills payable, trade payables, receipts in advance, employee benefits payable, other taxes payable excluding income tax payable, other payables, less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at balance sheet date were as follows:

	2013	2012 (Restated)
Short-term borrowings	31,172,421	—
Bills payable	928,918,770	713,768,911
Trade payables	1,749,671,703	1,273,648,373
Receipts in advance	388,087,463	291,978,737
Employee benefits payable	88,860,161	63,912,163
Taxes payable (excluding income tax payable)	39,691,379	178,396,503
Other payables	200,627,465	131,729,207
Long-term borrowings (inclusive of amounts due within one year)	64,369,663	69,707,468
Less: cash and cash equivalents	3,118,401,874	2,297,286,786
Net debt	372,997,151	425,854,576
Equity attributable to owners of the parent	9,015,898,762	6,184,091,486
Capital and net debt	9,388,895,913	6,609,946,062
Gearing ratio	3.97%	6.44%

X. Other Significant Events (continued)**3. Financial instruments and their risks** (continued)**Fair value**

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

	Carrying amount		Fair value	
	2013	2012 (Restated)	2013	2012 (Restated)
Financial assets				
Financial assets available-for-sale	900,000	400,000	900,000	400,000
Long-term receivables	31,660,131	609,036	31,660,131	609,036
	32,560,131	1,009,036	32,560,131	1,009,036
	Carrying amount		Fair value	
	2013	2012 (Restated)	2013	2012 (Restated)
Financial liabilities				
Long-term borrowings	52,179,757	28,336,915	52,179,757	28,336,915

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

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

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

The fair values of long-term receivables, long-term borrowings, etc. have been calculated by discounting the expected future cash flows using yield rates currently available for instruments with similar contract terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2013 was assessed to be insignificant.

Notes to Financial Statements

31 December 2013

Renminbi Yuan

X. Other Significant Events (continued)

3. Financial instruments and their risks (continued)

Fair value (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Financial instruments for which fair values are disclosed:

31 December 2013

	Inputs used in financial assets measured at fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets available-for-sale	—	900,000	—	900,000
Long-term receivables	—	31,660,131	—	31,660,131
Long-term borrowings	—	52,179,757	—	52,179,757

31 December 2012

	Inputs used in financial assets measured at fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets available-for-sale	—	400,000	—	400,000
Long-term receivables	—	609,036	—	609,036
Long-term borrowings	—	28,336,915	—	28,336,915

4. Comparative figures

In consequence of a business combination involving an enterprise under common control occurred in the current year as stated Note IV. 4, some comparative figures have been restated to conform to the presentation requirements for the current year.

As further explained in Note II. 2 to the financial statements, due to the adoption of the revised Accounting Standards for Business Enterprises during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

Notes to Financial Statements

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Renminbi Yuan

X. Other Significant Events (continued)

5. Other financial information

(1)

	31 December 2013		31 December 2012 (Restated)	
	Group	Company	Group	Company
Net current assets	6,992,162,939	6,661,095,835	4,169,585,428	3,786,068,796
Total assets less current liabilities	<u>9,577,966,146</u>	<u>9,257,905,523</u>	<u>6,624,005,864</u>	<u>6,211,668,646</u>

(2)

	2013	2012 (Restated)
Contributions paid to pension plans	<u>104,703,102</u>	<u>89,112,701</u>

As at 31 December 2013, the Group was not mandated to withdraw any amount of contributions in order to reduce the contribution amounts to pension plans in future years (2012 (Restated): Nil).

6. Remuneration of directors, supervisors and chief executive

Remuneration of directors, supervisors and chief executive for the current year is disclosed as follows:

	2013	2012 (Restated)
Fees	913,095	913,095
Other emoluments:		
Salaries, allowances and benefits in kind	1,517,060	1,402,000
Performance related bonuses	1,391,381	1,295,284
Pension scheme contributions	149,856	146,208
	<u>3,058,297</u>	<u>2,843,492</u>
	<u>3,971,392</u>	<u>3,756,587</u>

Notes to Financial Statements

31 December 2013

Renminbi Yuan

X. Other Significant Events (continued)

6. Remuneration of directors, supervisors and chief executive (continued)

2013

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
Executive directors					
Ding Rongjun	—	—	—	—	—
Li Donglin (chief executive)	—	478,148	685,704	37,464	1,201,316
	—	478,148	685,704	37,464	1,201,316
Non-executive directors					
Deng Huijin	—	—	—	—	—
Ma Yunkun	77,382	—	—	—	77,382
Yan Wu	—	357,716	204,359	37,464	599,539
	77,382	357,716	204,359	37,464	676,921
Independent non-executive directors					
Gao Yucai	92,857	—	—	—	92,857
Chan Kam Wing, Clement	278,571	—	—	—	278,571
Pao Ping Wing	278,571	—	—	—	278,571
Liu Chunru	92,857	—	—	—	92,857
	742,856	—	—	—	742,856
Supervisors					
He Wencheng	—	—	—	—	—
Pang Yiming	—	293,156	179,153	37,464	509,773
Zhou Guifa	—	388,040	322,165	37,464	747,669
Geng Jianxin	92,857	—	—	—	92,857
	92,857	681,196	501,318	74,928	1,350,299
	913,095	1,517,060	1,391,381	149,856	3,971,392

X. Other Significant Events (continued)**6. Remuneration of directors, supervisors and chief executive** (continued)

2012 (Restated)

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
Executive directors					
Ding Rongjun	—	—	—	—	—
Li Donglin (chief executive)	—	469,828	514,479	36,552	1,020,859
	—	469,828	514,479	36,552	1,020,859
Non-executive directors					
Deng Huijin	—	—	—	—	—
Ma Yunkun	77,382	—	—	—	77,382
Yan Wu	—	294,028	181,900	36,552	512,480
	77,382	294,028	181,900	36,552	589,862
Independent non-executive directors					
Gao Yucai	92,857	—	—	—	92,857
Chan Kam Wing, Clement	278,571	—	—	—	278,571
Pao Ping Wing	278,571	—	—	—	278,571
Liu Chunru	92,857	—	—	—	92,857
	742,856	—	—	—	742,856
Supervisors					
He Wencheng	—	—	—	—	—
Pang Yiming	—	258,228	226,168	36,552	520,948
Zhou Guifa	—	379,916	372,737	36,552	789,205
Geng Jianxin	92,857	—	—	—	92,857
	92,857	638,144	598,905	73,104	1,403,010
	913,095	1,402,000	1,295,284	146,208	3,756,587

Notes to Financial Statements

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X. Other Significant Events (continued)

6. Remuneration of directors, supervisors and chief executive (continued)

The five highest paid employees of the Group are as follows:

	2013	2012 (Restated)
Director, supervisor and chief executive	1	1
Non-director and non-supervisor employee	4	4
	<u>5</u>	<u>5</u>

The remuneration paid to the above non-director, non-supervisor and non-chief executive highest paid employees is as follows:

	2013	2012 (Restated)
Salaries, allowances and benefits in kind	3,694,642	4,143,434
Performance related bonuses	378,195	459,273
Pension scheme contributions	208,828	170,754
	<u>4,281,665</u>	<u>4,773,461</u>

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

	2013	2012 (Restated)
Below HKD1,000,000	1	1
HKD1,000,001 to HKD2,000,000	3	2
HKD2,000,001 to HKD2,500,000	—	1
	<u>4</u>	<u>4</u>

In 2013, there were no director, supervisor, chief executive or any of the non-director, non-supervisor, non-chief executive highest paid individual who waived or agreed to waive any emoluments, and no emoluments were paid by the Group to any director, supervisor and any non-director and non-supervisor highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office.

Notes to Financial Statements

31 December 2013

Renminbi Yuan

XI. Notes to Key Items of the Company's Financial Statements

1. Trade receivables

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

The aging analysis of the trade receivables is as follows:

	31 December 2013	31 December 2012
Within 6 months	2,096,539,400	2,061,339,778
6 months to 1 year	196,890,588	232,395,216
1 to 2 years	146,912,446	70,276,728
2 to 3 years	3,631,010	4,932,688
Over 3 years	8,983,840	11,567,542
	2,452,957,284	2,380,511,952
Less: provision for bad debt	38,595,681	34,882,598
	2,414,361,603	2,345,629,354
Less: classified as non-current assets	22,720,364	—
	2,391,641,239	2,345,629,354

The movements of provision for bad debt are as follows:

	2013	2012
Opening balance	34,882,598	30,057,969
Provision in the current year	5,684,887	5,511,519
Reversal in the current year	(1,480,192)	(103,686)
Write-off in the current year	(491,612)	(583,204)
Closing balance	38,595,681	34,882,598

Details of the amounts due from related parties in the balance of trade receivables are disclosed in Note XI.8 Amounts due from and due to related parties.

Notes to Financial Statements

31 December 2013

Renminbi Yuan

XI. Notes to Key Items of the Company's Financial Statements (continued)

2. Other receivables

The aging analysis of the other receivables is as follows:

	31 December 2013	31 December 2012
Within 1 year	146,823,184	126,605,558
1 to 2 years	82,882,183	90,050,173
2 to 3 years	89,562,297	34,283,740
Over 3 years	68,239,635	135,017,416
	387,507,299	385,956,887
Less: provision for bad debt	2,505,868	2,474,975
	385,001,431	383,481,912

The movements of provision for bad debt are as follows:

	2013	2012
Opening balance	2,474,975	2,532,950
Provision in the current period	30,893	1,474,975
Reversal in the current year	—	(1,532,950)
Closing balance	2,505,868	2,474,975

Details of the amounts due from related parties in the balance of other receivables are disclosed in Note XI.8 Amounts due from and due to related parties.

XI. Notes to Key Items of the Company's Financial Statements (continued)

3. Long-term equity investments

2013

	Opening balance	Increase	Closing balance	Impairment provision	Net value at end of year	Cash dividend
Non-listed investments:						
Equity method:						
Joint venture						
Shiling	169,050,112	7,182,854	176,232,966	—	176,232,966	9,000,000
Associates						
Zhuzhou Siemens	72,803,665	(25,774,634)	47,029,031	—	47,029,031	25,649,639
Xiwu	13,171,076	(3,479,625)	9,691,451	—	9,691,451	—
	85,974,741	(29,254,259)	56,720,482	—	56,720,482	25,649,639
Cost method:						
Times Electronics	182,977,618	—	182,977,618	—	182,977,618	180,000,000
Ningbo Times	33,507,255	100,000,000	133,507,255	—	133,507,255	22,000,000
Times Information	29,000,000	—	29,000,000	—	29,000,000	—
Times USA	3,187,516	—	3,187,516	—	3,187,516	—
Times Equipment	34,561,157	—	34,561,157	—	34,561,157	—
Shenyang Times	3,000,000	—	3,000,000	—	3,000,000	—
Baoji Times	160,000,000	—	160,000,000	—	160,000,000	—
Kunming Electric	3,000,000	—	3,000,000	—	3,000,000	—
Hangzhou Electric	33,000,000	—	33,000,000	—	33,000,000	—
Dynex	216,539,728	—	216,539,728	49,699,261	166,840,467	—
Guangzhou Times	18,000,000	—	18,000,000	—	18,000,000	—
HK Electric	8,098,000	—	8,098,000	—	8,098,000	—
Times Australia	1,814,037	—	1,814,037	—	1,814,037	—
Ningbo Electric	10,000,000	—	10,000,000	—	10,000,000	—
Times Brasil	—	4,062,679	4,062,679	—	4,062,679	—
	736,685,311	104,062,679	840,747,990	49,699,261	791,048,729	202,000,000
	991,710,164	81,991,274	1,073,701,438	49,699,261	1,024,002,177	236,649,639

Notes to Financial Statements

31 December 2013

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XI. Notes to Key Items of the Company's Financial Statements (continued)

3. Long-term equity investments (continued)

2012

	Opening balance	Increase	Closing balance	Impairment provision	Net value at end of year	Cash dividend
Non-listed investments:						
Equity method:						
Joint venture						
Shiling	154,535,591	14,514,521	169,050,112	—	169,050,112	11,000,000
Associates						
Zhuzhou Siemens	47,918,177	24,885,488	72,803,665	—	72,803,665	30,182,757
Xiwu	—	13,171,076	13,171,076	—	13,171,076	—
	<u>47,918,177</u>	<u>38,056,564</u>	<u>85,974,741</u>	<u>—</u>	<u>85,974,741</u>	<u>30,182,757</u>
Cost method:						
Times Electronics	182,977,618	—	182,977,618	—	182,977,618	110,000,000
Ningbo Times	33,507,255	—	33,507,255	—	33,507,255	20,000,000
Times Information	29,000,000	—	29,000,000	—	29,000,000	—
Times USA	3,187,516	—	3,187,516	—	3,187,516	—
Times Equipment	34,561,157	—	34,561,157	—	34,561,157	5,000,000
Shenyang Times	3,000,000	—	3,000,000	—	3,000,000	—
Baoji Times	160,000,000	—	160,000,000	—	160,000,000	—
Kunming Electric	3,000,000	—	3,000,000	—	3,000,000	—
Hangzhou Electric	18,000,000	15,000,000	33,000,000	—	33,000,000	—
Dynex	216,539,728	—	216,539,728	—	216,539,728	—
Guangzhou Times	18,000,000	—	18,000,000	—	18,000,000	—
HK Electric	—	8,098,000	8,098,000	—	8,098,000	—
Times Australia	—	1,814,037	1,814,037	—	1,814,037	—
Ningbo Electric	—	10,000,000	10,000,000	—	10,000,000	—
	<u>701,773,274</u>	<u>34,912,037</u>	<u>736,685,311</u>	<u>—</u>	<u>736,685,311</u>	<u>135,000,000</u>
	<u>904,227,042</u>	<u>87,483,122</u>	<u>991,710,164</u>	<u>—</u>	<u>991,710,164</u>	<u>176,182,757</u>

Notes to Financial Statements

31 December 2013

Renminbi Yuan

XI. Notes to Key Items of the Company's Financial Statements (continued)

4. Revenue and cost of sales

Revenue is also the turnover of the Company and represents the net invoice value of goods sold after deducting returns and trade discounts, the value of services rendered and the total rental income received.

Revenue is stated as follows:

	2013	2012
Revenue from principal operations	7,652,332,701	6,166,318,751
Other operating income	218,186,657	149,691,612
	<u>7,870,519,358</u>	<u>6,316,010,363</u>

Cost of sales is stated as follows:

	2013	2012
Cost of sales from principal operations	4,958,977,803	4,223,111,835
Other operating costs	183,509,095	120,482,852
	<u>5,142,486,898</u>	<u>4,343,594,687</u>

5. Investment income

	2013	2012
Income from non-listed investments:		
Long-term equity investment income under the equity method	12,578,234	77,503,842
Long-term equity investment income under the cost method	202,000,000	135,000,000
Income from entrusted loans	—	9,410,938
Bank financial product income	—	10,771,690
	<u>214,578,234</u>	<u>232,686,470</u>

Notes to Financial Statements

31 December 2013

Renminbi Yuan

XI. Notes to Key Items of the Company's Financial Statements (continued)

6. Supplementary information to the statement of cash flows

	2013	2012
Adjustment of net profit to cash flows from operating activities:		
Net profit	1,555,584,014	1,189,284,970
Add: Provision for impairment of assets	1,470,697	4,281,773
Depreciation	87,326,887	86,014,850
Amortisation of intangible assets	14,405,553	11,233,099
Losses from disposal of fixed assets, intangible assets and other long-term assets	495,014	227,907
Finance costs	—	13,916,660
Investment income	(214,578,234)	(232,686,470)
Increase in deferred tax assets	(23,450,027)	(31,776,299)
Decrease/(increase) in inventories	(193,223,122)	595,637,232
Increase in operating receivables	(1,499,450,586)	(1,169,784,186)
Increase in operating payables	863,977,359	594,030,184
Net cash flows from operating activities	<u>592,557,555</u>	<u>1,060,379,720</u>

XI. Notes to Key Items of the Company's Financial Statements (continued)**7. Major transactions between the Company and its related parties****(1) Sales of goods to related parties**

	2013	2012
Times Electronics	152,928,615	79,001,845
Times Information	125,029,866	1,995,434
Kunming Electric	79,951,157	112,962,996
Shenyang Times	58,688,608	14,484,675
Guangzhou Times	41,648,600	55,347,575
Baoji Times	22,975,966	10,761,044
Dynex	20,660,865	13,702,530
Times USA	15,156,822	19,338,485
Times Equipment	3,270,312	9,881,137
Ningbo Times	1,872,291	1,656,088
CSR Zhuzhou Electric Locomotive Co., Ltd.	2,043,020,163	947,073,897
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	1,698,097,249	1,890,553,358
Shiling	304,997,461	367,661,277
CSR Sifang Rolling Stock Co., Ltd.	293,369,700	650,424
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	147,319,642	64,325,062
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	142,904,332	132,290,094
CSR Qishuyan Locomotive Co., Ltd.	105,692,741	322,533,099
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	47,588,327	38,604,126
Zhuzhou Electromechanical Technology Co., Ltd.	40,065,560	2,724,034
Hunan CSR Times Electric Vehicle Co., Ltd.	26,820,749	15,010,640
CSR Ziyang Locomotive Co., Ltd.	22,509,860	50,778,668
CSR Guangdong Rolling Stock Co., Ltd.	16,575,812	—
Qingdao CSR Sifang Sales Co., Ltd.	13,995,535	—
Shijiazhuang King Transportation Equipment Co., Ltd.	9,974,196	8,559,985
Beijing North Gofront Science Business Co., Ltd.	9,731,135	6,846,812
Guangzhou Electrical Locomotive Co., Ltd.	8,715,279	50,912,202
CSR Luoyang Locomotive Co., Ltd.	7,692,308	—
Nanjing CSR Puzhen Rapid Transit Vehicles Co., Ltd.	5,753,997	—
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	5,708,889	12,738,664
CSR Zhuzhou Electric Co., Ltd.	5,269,853	—
Xiwu	3,665,137	—
Xiangyang CSR Electric Machinery Co., Ltd.	3,439,188	—
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	579,386	342,771
Ziyang CSR Electric Locomotive Co., Ltd.	184,128	—
Nanjing CSR Haida Railway Service Co., Ltd.	—	7,692,308
Qingdao Sifang Coach Repair Co., Ltd.	—	232,812
Kunming CSR Urban Rail Vehicle Co., Ltd.	—	2,677
	5,485,853,729	4,238,664,719

Notes to Financial Statements

31 December 2013

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XI. Notes to Key Items of the Company's Financial Statements (continued)

7. Major transactions between the Company and its related parties (continued)

(2) Purchases of goods from related parties

	2013	2012
Times Equipment	69,847,952	82,064,424
Ningbo Times	95,714,108	88,951,198
Kunming Electric	60,971,172	120,910,190
Shenyang Times	56,242,708	30,181,738
Guangzhou Times	55,602,406	67,590,000
Times Information	53,231,316	—
Times Electronics	36,436,802	31,046,884
Dynex	32,257,013	109,939,803
Baoji Times	14,573,590	52,435,051
Times USA	1,527,875	2,076,030
Shiling	533,479,341	481,679,291
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	452,074,668	—
CSR Zhuzhou Electric Co., Ltd.	126,618,835	85,914,914
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	89,346,898	73,909,696
Zhuzhou Electromechanical Technology Co., Ltd.	80,542,280	116,148,629
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	78,508,101	57,877,113
CSR Qishuyan Locomotive Co., Ltd.	62,621,142	92,747,722
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	49,092,381	1,433,643
Changzhou Ruiyang Transmission Technology Co., Ltd.	30,030,726	51,139,871
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	25,926,038	47,317,893
CSR Zhuzhou Electric Locomotive Co., Ltd.	23,930,487	14,636,488
Xiwu	7,953,682	—
Hunan CSR Times Electric Vehicle Co., Ltd.	1,942,396	1,686,748
Zhuzhou Times New Material Technology Co., Ltd.	623,216	608,538
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	390,662	—
Shijiazhuang King Transportation Equipment Co., Ltd.	324,786	383,333
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	198,993	116,454,185
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	50,814	—
Zhuzhou Times Electric Insulation Co., Ltd.	31,477	9,995,759
Xiangyang CSR Electric Machinery Co., Ltd.	—	18,242,222
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	—	30,699
CSR Zhuzhou Electric Locomotive Works	—	1,244,444
	2,040,091,865	1,756,646,506

Notes to Financial Statements

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Renminbi Yuan

XI. Notes to Key Items of the Company's Financial Statements (continued)

7. Major transactions between the Company and its related parties (continued)

(3) Sales of electricity to related parties

	2013	2012
Times Equipment	357,143	343,542
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	686,570	267,150
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	651,989	708,260
Zhuzhou Siemens	517,273	688,102
	<u>2,212,975</u>	<u>2,007,054</u>

(4) Purchases of electricity from related parties

	2013	2012
CSR Zhuzhou Electric Locomotive Co., Ltd.	73,933	84,278
Zhuzhou Electromechanical Technology Co., Ltd.	—	21,940
	<u>73,933</u>	<u>106,218</u>

(5) Sales of fixed assets to related parties

	2013	2012
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	<u>14,925</u>	<u>41,750</u>

(6) Purchases of fixed assets from related parties

	2013	2012
Zhuzhou Electromechanical Technology Co., Ltd.	2,682,168	—
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	259,369	—
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	15,405	—
	<u>2,956,942</u>	<u>—</u>

(7) Purchases of intangible assets from related parties

	2013	2012
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	247,500	—
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	—	430,560
	<u>247,500</u>	<u>430,560</u>

Notes to Financial Statements

31 December 2013

Renminbi Yuan

XI. Notes to Key Items of the Company's Financial Statements (continued)

7. Major transactions between the Company and its related parties (continued)

(8) Provide entrusted loans to related parties

	2013	2012
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	<u>500,000,000</u>	<u>—</u>

(9) Related party leases

Income from assets leased to related parties

	2013	2012
Zhuzhou Siemens	4,960,857	6,132,438
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	2,841,315	1,947,928
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	525,280	—
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	8,086	—
	<u>8,335,538</u>	<u>8,080,366</u>

Expenses incurred from assets leased by related parties

	2013	2012
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	529,085	770,206
CSR Zhuzhou Electric Locomotive Works	487,563	244,332
Zhuzhou Electric Vehicle Co., Ltd.	475,677	306,100
	<u>1,492,325</u>	<u>1,320,638</u>

Notes to Financial Statements

31 December 2013

Renminbi Yuan

XI. Notes to Key Items of the Company's Financial Statements (continued)

7. Major transactions between the Company and its related parties (continued)

(10) Technical service income from related parties

	2013	2012
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	10,149,380	6,701,000
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	3,800,498	150,400
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	1,576,887	562,350
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	1,090,309	72,200
Zhuzhou Times New Material Technology Co., Ltd.	1,017,161	1,041,130
Hunan CSR Times Electric Vehicle Co., Ltd.	376,409	772,510
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	357,789	374,260
CSR Zhuzhou Electric Co., Ltd.	227,411	361,200
Zhuzhou Electromechanical Technology Co., Ltd.	207,000	171,150
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	188,679	—
Nanjing Puzhen Haitai Brake Equipment Co., Ltd.	188,679	—
Xiangyang CSR Electric Machinery Co., Ltd.	160,849	262,680
Shijiazhuang King Transportation Equipment Co., Ltd.	107,000	—
Zhuzhou CSR Times Hi-tech Investment & Trusting Co., Ltd.	51,972	31,890
Xiangyang China Railway Hongji Engineering Co., Ltd.	7,873	—
CSR Zhuzhou Electric Locomotive Co., Ltd.	—	254,000
CSR Ziyang Locomotive Co., Ltd.	—	70,000
Zhuzhou Electric Vehicle Co., Ltd.	—	36,755
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	—	330,120
	19,507,896	11,191,645

(11) Technical service fees paid to related parties

	2013	2012
Dynex	32,438,087	17,780,064
Hangzhou Electric	7,163,603	—
Kunming Electric	3,722,026	—
Times USA	2,028,995	—
Ningbo Electric	1,550,860	—
Guangzhou Times	584,906	—
Times Australia	380,026	—
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	88,772,640	35,892,454
CSR Zhuzhou Electric Locomotive Co., Ltd.	10,000,000	—
Zhuzhou Electromechanical Technology Co., Ltd.	3,878,718	—
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	352,371	—
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	186,792	—
	151,059,024	53,672,518

Note: The terms of the above sales and purchase transactions, sales and purchases of fixed assets and intangible assets, service transactions, entrusted loans to related parties and lease transactions with related parties were agreed by both parties.

Notes to Financial Statements

31 December 2013

Renminbi Yuan

XI. Notes to Key Items of the Company's Financial Statements (continued)

8. Amounts due from and due to related parties

	31 December 2013	31 December 2012
Trade receivables:		
Times Electronics	190,015,329	59,690,691
Times Information	94,614,177	2,296,176
Hangzhou Electric	57,791,211	—
Baoji Times	21,918,521	2,287,000
Guangzhou Times	12,658,252	—
Dynex	9,300,179	2,674,500
Times USA	8,266,274	10,955,460
Shenyang Times	6,130,980	—
Times Equipment	3,068,084	1,433,253
Ningbo Times	377,844	105,415
Kunming Electric	2,832	1,507,650
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	310,700,702	591,077,508
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	124,681,575	33,804,230
CSR Zhuzhou Electric Locomotive Co., Ltd.	123,317,520	523,866,679
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	81,589,680	55,501,702
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	50,929,167	43,817,897
CSR Sifang Rolling Stock Co., Ltd.	29,289,558	311,894
CSR Qishuyan Locomotive Co., Ltd.	26,316,177	73,832,971
CSR Guangdong Rolling Stock Co., Ltd.	19,393,700	—
CSR Ziyang Locomotive Co., Ltd.	17,820,398	14,952,711
Guangzhou Electrical Locomotive Co., Ltd.	17,390,623	41,650,000
Hunan CSR Times Electric Vehicle Co., Ltd.	11,538,152	5,112,218
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	10,538,789	—
Shiling	7,276,258	54,927,684
Shijiazhuang King Transportation Equipment Co., Ltd.	6,472,675	4,776,805
CSR Zhuzhou Electric Co., Ltd.	6,199,886	—
CSR Luoyang Locomotive Co., Ltd.	4,000,000	—
Xiwu	3,986,700	—
Xiangyang CSR Electric Machinery Co., Ltd.	3,823,850	—
Qingdao CSR Sifang Sales Co., Ltd.	1,224,500	—
Zhuzhou Times New Material Technology Co., Ltd.	1,061,655	—
Beijing North Gofront Science Business Co., Ltd.	594,076	634,499
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	255,000	330,120
Ziyang CSR Electric Locomotive Co., Ltd.	82,800	—
Zhuzhou CSR Times Hi-tech Investment & Trusting Co., Ltd.	55,090	31,890
Xiangyang China Railway Hongji Engineering Co., Ltd.	8,345	—
Qingdao Sifang Coach Repair Co., Ltd.	—	301,845
	1,262,690,559	1,525,880,798

Notes to Financial Statements

31 December 2013

Renminbi Yuan

XI. Notes to Key Items of the Company's Financial Statements (continued)

8. Amounts due from and due to related parties (continued)

	31 December 2013	31 December 2012
Bills receivable:		
Baoji Times	—	100,000
CSR Zhuzhou Electric Locomotive Co., Ltd.	812,536,231	90,000,000
CSR Sifang Rolling Stock Co., Ltd.	226,000,000	—
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	201,000,000	298,900,000
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	30,382,962	584,093
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	30,000,000	23,961,639
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	27,600,000	48,330,000
CSR Ziyang Locomotive Co., Ltd.	20,500,000	14,200,000
CSR Luoyang Locomotive Co., Ltd.	3,600,000	500,000
CSR Hangzhou Rail Transit Co., Ltd.	2,632,000	—
CSR Qishuyan Locomotive Co., Ltd.	1,000,000	50,000,000
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	300,000	150,000
Hunan CSR Times Electric Vehicle Co., Ltd.	250,000	60,000
CSR Yangtze Co., Ltd.	100,000	—
CSR Zhuzhou Electric Co., Ltd.	70,000	—
Bombardier Sifang (Qingdao) Transportation Ltd.	—	4,000,000
Shijiazhuang King Transportation Equipment Co., Ltd.	—	2,900,000
	1,355,971,193	533,685,732
Prepayments:		
Baoji Times	27,948,800	—
Dynex	14,692,105	4,492,105
Guangzhou Times	120,450	—
Times Equipment	—	1,185,000
Times Electronics	—	9,828
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	866,250	—
CSR Zhuzhou Electric Locomotive Co., Ltd.	157,776	118,044
CSR Corporation Limited	40,000	118,100
CSR Qishuyan Locomotive Co., Ltd.	12,000	12,000
	43,837,381	5,935,077

Notes to Financial Statements

31 December 2013

Renminbi Yuan

XI. Notes to Key Items of the Company's Financial Statements (continued)

8. Amounts due from and due to related parties (continued)

	31 December 2013	31 December 2012
Other receivables:		
Baoji Times	135,229,780	85,233,727
Times Information	62,220,892	54,392,196
Shenyang Times	53,271,860	53,465,280
Kunming Electric	45,660,961	42,087,466
Ningbo Electric	15,000,000	—
Times Equipment	14,368,000	—
Hangzhou Electric	12,000,000	—
Guangzhou Times	1,981,163	1,479,857
Ningbo Times	1,014,772	100,571,407
Times USA	27,420	27,420
Times Electronics	—	3,352
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	1,633,918	1,654,912
Zhuzhou Siemens	40,239	35,109
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	20,000	17,000
	342,469,005	338,967,726
	31 December 2013	31 December 2012
Held-to-maturity investments:		
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	500,000,000	—

XI. Notes to Key Items of the Company's Financial Statements (continued)

8. Amounts due from and due to related parties (continued)

	31 December 2013	31 December 2012
Trade payables:		
Times Information	65,331,300	—
Hangzhou Electric	52,650,000	—
Ningbo Times	34,049,267	47,783,852
Times Equipment	32,052,166	26,056,405
Ningbo Electric	30,590,748	—
Guangzhou Times	9,710,415	7,910,300
Kunming Electric	8,003,511	5,171,734
Shenyang Times	7,071,192	8,059,302
Dynex	5,662,122	10,826,830
Times Electronics	23,761	2,753,918
Baoji Times	—	8,313,377
CSR Zhuzhou Electric Co., Ltd.	85,141,692	94,898,062
Shiling	81,603,862	45,097,920
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	16,471,893	633,322
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	11,953,699	13,674,852
Changzhou Ruiyang Transmission Technology Co., Ltd.	5,772,948	1,040,000
CSR Zhuzhou Electric Locomotive Co., Ltd.	2,504,153	133,334
CSR Qishuyan Locomotive Co., Ltd.	2,418,798	—
Zhuzhou Times New Material Technology Co., Ltd.	1,403,312	—
Zhuzhou Electromechanical Technology Co., Ltd.	1,283,691	41,121,169
Xiwu	1,133,226	—
Hunan CSR Times Electric Vehicle Co., Ltd.	956,676	122,733
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	240,609	108,692
Xiangyang CSR Electric Machinery Co., Ltd.	239,790	1,323,400
Shijiazhuang King Transportation Equipment Co., Ltd.	34,188	784,688
Zhuzhou Gofront Braking Equipment Co., Ltd.	24,957	—
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	17,208	32,992
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	15,107	—
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	11,420	45,323
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	5,110	—
Zhuzhou Times Electric Insulation Co., Ltd.	3,065	547
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	—	52,374,903
	456,379,886	368,267,655

Notes to Financial Statements

31 December 2013

Renminbi Yuan

XI. Notes to Key Items of the Company's Financial Statements (continued)

8. Amounts due from and due to related parties (continued)

	31 December 2013	31 December 2012
Bills payable:		
Kunming Electric	—	1,500,000
Ningbo Times	11,000,000	340,000
Times Equipment	10,500,000	—
Baoji Times	3,000,000	—
Shiling	75,000,000	90,000,000
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	7,000,000	12,300,000
Zhuzhou Electromechanical Technology Co., Ltd.	4,000,000	—
Changzhou Ruiyang Transmission Technology Co., Ltd.	2,000,000	—
Zhuzhou Times Electric Insulation Co., Ltd.	1,200,000	—
CSR Zhuzhou Electric Locomotive Co., Ltd.	657,001	—
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	558,861	625,031
Zhuzhou Times New Material Technology Co., Ltd.	340,327	670,000
	115,256,189	105,435,031
Receipts in advance:		
Dynex	42,576	399,484
CSR Zhuzhou Electric Locomotive Co., Ltd.	13,939,950	—
Nanjing CSR Puzhen Rapid Transit Vehicles Co., Ltd.	12,247,824	—
Shijiazhuang King Transportation Equipment Co., Ltd.	40,000	—
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	—	2,376,068
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	—	138,960
	26,270,350	2,914,512

Notes to Financial Statements

31 December 2013

Renminbi Yuan

XI. Notes to Key Items of the Company's Financial Statements (continued)

8. Amounts due from and due to related parties (continued)

	31 December 2013	31 December 2012
Other payables:		
Times Equipment	22,828,945	9,010,767
Dynex	22,313,303	356,222
Kunming Electric	3,360,448	773,519
Ningbo Times	60,000	—
Times Electronics	40,000	—
Baoji Times	20,000	—
Shenyang Times	—	193,420
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	31,566,728	25,866,728
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	930,000	—
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	604,854	2,000
Zhuzhou Electromechanical Technology Co., Ltd.	509,469	—
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	500,000	—
	82,733,747	36,202,656

The Company's bills receivable from and bills payable to related parties are non-interest-bearing, unsecured and have fixed terms of repayment, and its held-to-maturity investments are interest-bearing, unsecured and have fixed terms of repayment. Other amounts due from and due to related parties are non-interest-bearing and unsecured. The repayment period of the trading amounts is determined by the provisions of the trading terms, whereas non-trading amounts are not subject to any fixed repayment period.

Glossary

“Articles”	the Articles of Association of the Company
“Baoji Times”	寶雞南車時代工程機械有限公司 (Baoji CSR Times Engineering Machinery Co. Ltd.), a subsidiary of the Company in which the Company holds 80% of its equity interest
“Board” or “Board of Directors”	the board of Directors of the Company
“CG Code”	the Code on Corporate Governance and Corporate Governance Report set out in Appendix 14 of the Listing Rules
“Company”	株洲南車時代電氣股份有限公司(Zhuzhou CSR Times Electric Co., Ltd.), a joint stock company established in the PRC whose H share are listed on the Main Board of the Stock Exchange
“CSR”	中國南車股份有限公司 (CSR Corporation Limited), a joint stock limited liability company established in the PRC whose A shares and H shares are listed on the Shanghai Stock Exchange and the Main Board of the Stock Exchange, respectively. CSR is directly and indirectly owned as to 57.16% by CSRG and holds the entire equity interest in the Parent Company
“CSRG”	中國南車集團公司 (CSR Group), formerly known as 中國南方機車車輛工業集團公司 (China South Locomotive & Rolling Stock Industry (Group) Corporation), a PRC State-owned enterprise; the ultimate controlling shareholder of the Company
“CSRG Group”	CSRG and its subsidiaries (including the Parent Group but excluding the Group)
“CSR Investment & Leasing”	南車投資租賃有限公司(CSR Investment & Leasing Co., Ltd.), formerly known as 新力博交通裝備投資租賃有限公司 (New Leap Transportation Equipment Investment & Leasing Co., Ltd.), a wholly-owned subsidiary of CSR, and one of the Promoters
“CSR Sifang”	南車青島四方機車車輛股份有限公司 (CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.), formerly known as 南車四方機車車輛股份有限公司 (CSR Sifang Locomotive & Rolling Stock Co., Ltd), held as to 97.81% by CSR
“CSR Zhuzhou”	南車株洲電力機車有限公司(CSR Zhuzhou Electric Locomotive Co., Ltd.), held as to 100% by CSR, and one of the Promoters
“Director(s)”	the director(s) of the Company
“Dynex”	Dynex Power Inc., a company established under the law of Canada and listed on the TSX Venture Exchange, Toronto, Canada (stock code: DNX) whose 75% equity interest was acquired by the Company in October 2008. Dynex Semiconductor Ltd. is its only operating subsidiary and its headquarters are located in Lincoln, England

“Electric Multiple Units”	Electric Multiple Units power converters, auxiliary power supply equipment and control systems
“Group”	the Company and its subsidiaries
“Guangzhou Times”	廣州南車時代電氣技術有限公司 (Guangzhou CSR Times Electric Technology Co., Ltd.), a subsidiary of the Company in which the Company holds 60% of its equity interest
“Hangzhou Electric”	杭州南車電氣設備有限公司(Hangzhou CSR Electric Equipment Co., Ltd.), a subsidiary of the Company in which the Company holds 60% of its equity interest
“HK Electric”	CSR Times Electric (Hong Kong) Co., Limited, a company established under the law of Hong Kong and a wholly-owned subsidiary of the Company
“Kunming China Railway”	昆明中鐵大型養路機械集團有限公司 (China Railway Large Maintenance Machinery Co., Ltd. Kunming), one of the Promoters of the Company, is a wholly-owned subsidiary of 中國鐵建股份有限公司(China Railway Construction Corporation Limited), whose A shares and H shares are listed on Shanghai Stock Exchange and the Main Board of the Stock Exchange, respectively
“Kunming Electric”	昆明南車電氣設備有限公司 (Kunming CSR Electric Equipment Co., Ltd.), a wholly-owned subsidiary of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Locomotives”	Locomotives power converters, auxiliary power supply equipment and control systems
“Metropolitan rail transportation equipment”	Metropolitan rail transportation equipment power converters, auxiliary power supply equipment and control systems
“Ningbo Electric”	寧波南車電氣設備有限公司 (Ningbo CSR Electric Equipment Co., Ltd.), a wholly-owned subsidiary of the Company
“Ningbo Times”	寧波南車時代傳感技術有限公司 (Ningbo CSR Times Sensor Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Parent Company” or “CSR ZELRI”	南車株洲電力機車研究所有限公司(CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.), a wholly-owned subsidiary of CSR, one of the Promoters and the controlling shareholder of the Company
“Parent Group”	the Parent Company and its subsidiaries (excluding the Group)
“PRC”	The People’s Republic of China
“PRC Accounting Standards”	Accounting Standards for Business Enterprises and relevant regulations issued by the Ministry of Finance of the PRC

Glossary

“Promoters”	the promoters of the Company, being CSR ZELRI, CSR Zhuzhou, CSR Investment & Leasing, Qishuyan Works and Kunming China Railway
“Qishuyan Works”	中國南車集團戚墅堰機車車輛廠 (CSRG Qishuyan Locomotive & Rolling Stock Works), a wholly-owned subsidiary of CSRG and one of the Promoters
“Shenyang Times”	瀋陽南車時代交通設備有限公司 (Shenyang CSR Times Transportation Equipment Co., Ltd.), a wholly-owned subsidiary of the Company
“Shiling”	株洲時菱交通設備有限公司 (Zhuzhou Shiling Transportation Equipment Co., Ltd.), held as to 50% by the Company, as to 40% by Mitsubishi Electric Corporation and as to 10% by Mitsubishi Electric (China) Ltd.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisory Committee”	the supervisory committee of the Company
“the year” or “the reporting period”	the financial year ended 31 December 2013
“Times Australia”	CSR Times Electric Australia Pty. Ltd., a company established under the law of Australia and a wholly-owned subsidiary of the Company
“Times Electronics”	株洲時代電子技術有限公司 (Zhuzhou Times Electronics Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Times Equipment”	株洲時代裝備技術有限責任公司 (Zhuzhou Times Equipment Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Times Information”	北京南車時代信息技術有限公司 (Beijing CSR Times Information Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Times New Materials”	株洲時代新材料科技股份有限公司 (Zhuzhou Times New Materials Technology Co., Ltd.), whose shares are listed on the Shanghai Stock Exchange
“Zhuzhou Siemens”	株洲西門子牽引設備有限公司 (Siemens Traction Equipment Ltd., Zhuzhou), held as to 30% by the Company, as to 20% by CSR Zhuzhou and as to 50% by Siemens Ltd., China
“ZNERCC”	株洲變流技術國家工程研究中心有限公司 (Zhuzhou National Engineering Research Centre of Converters Co., Ltd.), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Parent Company

Basic Corporate Information

1	Name in Chinese Name in English	株洲南車時代電氣股份有限公司 Zhuzhou CSR Times Electric Co., Ltd.
2	Authorised representatives	Ding Rongjun Tang Tuong Hock, Gabriel
3	Company secretary Registered office Telephone Fax Website Principal place of business in Hong Kong	Tang Tuong Hock, Gabriel Times Road, Shifeng District, Zhuzhou, Hunan Province, PRC, 412001 +86 731 2849 8028 +86 731 2849 3447 http://www.timeselectric.cn Unit 1106, 11th Floor, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong
4	Listing information	H Share The Stock Exchange of Hong Kong Limited Stock Code : 3898 Stock Short Name: CSR Times Electric
5	H share registrar	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
6	Legal advisers	Minter Ellison Grandall Law Firm (Hangzhou)
7	Auditor	Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower Oriental Plaza, No. 1 East Chang An Avenue Dong Cheng District, Beijing China 100738