



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***

2014 ANNUAL REPORT





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Notes:

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

Financial Highlights

CONSOLIDATED STATEMENT OF PROFIT OR LOSS HIGHLIGHTS

	Year Ended 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	12,676,197	8,855,964	7,248,863	7,124,775	5,886,854
Operating profit	2,485,808	1,614,400	1,282,527	1,270,105	958,659
Total profit	2,754,914	1,703,580	1,403,781	1,380,922	987,159
Net profit	2,392,009	1,466,225	1,225,189	1,187,036	852,062
Net profit attributable to shareholders of the Parent	2,394,818	1,467,021	1,223,789	1,184,443	850,528
Non-controlling interests	(2,809)	(796)	1,400	2,593	1,534
Basic earnings per share (RMB Yuan/share)	RMB2.04	RMB1.33	RMB1.13	RMB1.09	RMB 0.78

CONSOLIDATED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

	As at 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Total assets	16,924,904	13,398,482	9,657,458	8,654,179	7,088,275
Total liabilities	5,754,138	4,248,362	3,338,630	3,216,495	2,518,512
Net assets	11,170,766	9,150,120	6,318,828	5,437,684	4,569,763

Chairman's Report

Dear Shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31 December 2014. 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 2014 amounted to RMB12,676.2 million (2013: RMB8,856.0 million), representing an increase of 43.1% year-on-year. Net profit attributable to shareholders of the Parent amounted to RMB2,394.8 million (2013: RMB1,467.0 million), representing an increase of 63.2% year-on-year. Basic earnings per share amounted to RMB2.04 (2013: RMB1.33), representing an increase of 53.4% year-on-year.

BUSINESS REVIEW

In 2014, the Group, faced with some uncertainties and their effects in the railway market, adhered to its "efficient organization" and "global operation" strategies, and with its aim to achieve high efficiency and effectiveness and through the synergies of market, research and development, management and other respects, successfully obtained bulk orders in the markets of high-speed railway and mainline railway locomotives, which contributed to the scale of the Company to exceed RMB10 billion.

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

In respect of the traction systems for locomotives, electrical systems for 9600kW electric locomotives with 8 axles and passenger electric locomotives with a speed of 160 km/h were delivered in batches, and electric locomotives for South Africa were delivered. The Company obtained bulk orders in 4400hp diesel locomotives.

In respect of the traction systems for electric multiple units, the Group recorded a growth in the delivery to high-speed railway and progressed smoothly in researching and developing electric multiple units with national standards.

In respect of urban railway and metro, the Company's own traction systems continued to lead the domestic market, which consolidated and enhanced its market share. As of the date ended October 2014, the Company accumulatively delivered over 3,000 sets of its own traction systems.

In respect of railway engineering machinery, the Group integrated its resources to make use of its overall advantages in the industry and accelerated new product development, which expanded its market share.

In respect of train operation safety equipment, the Group cultivated a new generation of products.

The sector of parts and components was developing steadily. 8-inch in-house IGBT chip production line was put into production and commenced trial operation, and sample module was approved for downstream production.

During the past year, the Company promoted excellent performance management to continuously improve organizational performance and operation efficiency.

OUTLOOK

As for railway field in 2015, with the constant improvement in railway system and continuous promotion of reform, the merger of CSR and CNR will materially affect the industry of locomotives. Faced with many uncertainties in the market, the Company will persist in its existing strategy to strengthen its core sectors and take advantage of industrial synergies, and insist on 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 traction transmission system of locomotives and electric multiple units, the Company will strengthen its established market and take advantage of its own technology and products to expand potential market and cultivate inter-city market for the promotion of international business; facilitate the development of new train models, such as electric multiple units with national standards and electric multiple units operating at high latitudes and low temperatures, to make use of product synergies and provide good supporting service.

In the field of urban railway and metro, the Company will strengthen its market, reinforce its project implementation and accomplish industrial distribution in order to take advantage of its own technology and industrial synergies as well as promote the emerging industries and value-added services.

In the field of railway engineering machinery, the Company will leverage on its overall advantages in both technology and industry, enhance its innovation and integration capabilities to further expand its existing market and cultivate new product market.

In the field of communication and signaling, the Company will promote the industrialization process of new products.

Chairman's Report

In the field of parts and components sector, the Company will persist in emphasizing both technology development and market expansion, and continuously enrich the product portfolio of IGBT, to accelerate the batch application of its own IGBT products and the industrialization process.

In the field of new sectors, the Company will introduce new mechanism and innovative concept to accelerate the cultivation and development of marine engineering and other new sectors.

Looking ahead to the coming year, the Group is confident in expanding its competitive edges in all business sectors while consolidating its status in the industry and making efforts to develop the business, thereby creating greater value for all shareholders.

Ding Rongjun

Chairman of the Board

Zhuzhou, Hunan, PRC

20 March 2015

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

	2014 (RMB million)	2013 (RMB million)
Locomotives	3,704.3	2,906.2
Electric Multiple Units	4,759.1	2,315.1
Metropolitan rail transportation equipment	1,207.6	955.7
Railway maintenance vehicles related products	1,148.6	1,102.9
Train operation safety equipment	574.6	571.0
Power semiconductor modules	430.2	522.9
Other products	851.8	482.2
Total revenue	12,676.2	8,856.0

The Group's revenue increased by RMB3,820.2 million or 43.1% from RMB8,856.0 million for the year ended 31 December 2013 to RMB12,676.2 million for the year ended 31 December 2014.

In 2014, other than a small decrease in the revenue from power semiconductor modules, other product series recorded increases in revenue at various growth levels. Among these, the strongest growth in revenue was from electric multiple units with an increase of RMB2,444.0 million. Such increase was mainly due to the delivery of electric multiple units electrical systems for 4M4T and 6M2T. The second strongest growth in revenue was recorded in locomotives with an increase of RMB798.1 million, mainly due to the delivery of locomotives electrical systems for 9600kW and 160KM. The third strongest growth in revenue was recorded in other products with an increase of RMB369.6 million, mainly due to the delivery of products such as sensors and the comprehensive performance test platform for train units.

Cost of sales

The Group's cost of sales increased by 38.3% from RMB5,694.5 million for the year ended 31 December 2013 to RMB7,876.4 million for the year ended 31 December 2014. 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 51.8% from RMB3,161.5 million for the year ended 31 December 2013 to RMB4,799.8 million for the year ended 31 December 2014. The Group's gross profit margin increased from 35.7% for the year ended 31 December 2013 to 37.9% for the year ended 31 December 2014. The change in gross profit margin was mainly due to the change of product sales mix.

Management Discussion and Analysis

Selling expenses

Selling expenses of the Group increased by 76.7% from RMB498.5 million for the year ended 31 December 2013 to RMB880.9 million for the year ended 31 December 2014. Selling expenses increased with increases in business operations.

Administrative expenses

The Group's administrative expenses increased by 34.2% from RMB1,005.2 million for the year ended 31 December 2013 (representing 11.4% of the Group's revenue for the whole year) to RMB1,349.1 million for the year ended 31 December 2014 (representing 10.6% 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 2014. 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 0.8 percentage point as compared to last year.

Finance costs

The Group's finance costs decreased from negative RMB27.5 million for the year ended 31 December 2013 to negative RMB43.0 million for the year ended 31 December 2014. The decrease in finance costs was mainly due to the increase in interest income during the year.

Asset impairment losses

The Group's asset impairment losses increased from RMB8.1 million for the year ended 31 December 2013 to RMB148.8 million for the year ended 31 December 2014. In 2014, the Group made impairment provisions of RMB71.4 million for trade receivables with signs of impairment and also made impairment provisions of RMB92.1 million for inventories with signs of impairment.

Investment income

The Group's investment income increased from RMB12.6 million for the year ended 31 December 2013 to RMB121.6 million for the year ended 31 December 2014. The increase in investment income was mainly due to the increase in bank financial product income.

Non-operating income

The Group's non-operating income increased from RMB90.3 million for the year ended 31 December 2013 to RMB272.0 million for the year ended 31 December 2014. The increase in non-operating income was due to the increase in the one-off government grants during the year.

Non-operating expenses

The Group's non-operating expenses increased from RMB1.1 million for the year ended 31 December 2013 to RMB2.9 million for the year ended 31 December 2014. The increase in non-operating expenses was due to the increase in compensations in the current year as compared to last year.

Total profit

The Group's total profit increased by 61.7% from RMB1,703.6 million for the year ended 31 December 2013 to RMB2,754.9 million for the year ended 31 December 2014. 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 2013 and 31 December 2014 were 19.2% and 21.7% respectively.

Income tax expense

The Group's income tax expense increased by 52.9% from RMB237.4 million for the year ended 31 December 2013 to RMB362.9 million for the year ended 31 December 2014.

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 2013 and 31 December 2014 were 13.9% and 13.2% respectively.

Net profit attributable to shareholders of the Parent

Net profit attributable to shareholders of the Parent increased by 63.2% from RMB1,467.0 million for the year ended 31 December 2013 to RMB2,394.8 million for the year ended 31 December 2014. The increase in the net profit attributable to shareholders of the Parent was mainly due to the increase in revenue.

Non-controlling interests

Non-controlling interests decreased by RMB2.0 million from negative RMB0.8 million for the year ended 31 December 2013 to negative RMB2.8 million for the year ended 31 December 2014. 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.

Management Discussion and Analysis

Earnings per share

Earnings per share increased by RMB0.71 from RMB1.33 for the year ended 31 December 2013 to RMB2.04 for the year ended 31 December 2014.

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 decrease in cash and cash equivalents of the Group amounted to RMB470.6 million for the current year.

Net cash flows from operating activities

The Group's net cash flows from operating activities increased from RMB726.0 million for the year ended 31 December 2013 to RMB2,056.7 million for the year ended 31 December 2014, which was mainly due to the significant increase in the cash received from sale of goods or rendering of services by the Group as compared to last year.

Net cash flows from investing activities

For the year ended 31 December 2014, the Group's net cash from investing activities was approximately negative RMB2,128.4 million. The cash outflow item in investing activities was mainly the cash paid for acquisition of investments of RMB4,500.0 million.

Net cash flows from financing activities

For the year ended 31 December 2014, the Group's net cash flows from financing activities was approximately negative RMB397.9 million. The cash outflow item in financing activities was mainly the amount of RMB411.9 million of cash paid for distribution of dividend or profits and for interest expenses.

Liquidity

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

Management Discussion and Analysis

Commitments

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

Capital commitments:

Contracted but not provided for

Authorised but not contracted for

Investment commitments:

Authorised but not contracted for

Contracted but not fulfilled

31 December 2014 (RMB million)	31 December 2013 (RMB million)
110.5	214.0
645.2	315.7
755.7	529.7
—	91.1
22.5	—
22.5	91.1

Indebtedness

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

Short-term borrowings

Long-term borrowings

(inclusive of amounts due within one year)

Total

31 December 2014 (RMB million)	31 December 2013 (RMB million)
4.4	31.2
48.8	64.4
53.2	95.6

Management Discussion and Analysis

Pledge

As at 31 December 2014, the Group pledged its fixed assets with a net carrying amount of RMB29.1 million (31 December 2013: RMB34.9 million) to obtain bank borrowings.

As at 31 December 2014, the Group pledged its intangible assets with a net carrying amount of RMB16.8 million (31 December 2013: RMB17.8 million) to obtain bank borrowings.

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 below 20%. Net debt includes all borrowings, bills payable, trade payables, receipts in advance, employee benefits payable, taxes payable (excluding income tax payable), other payables and long-term payables, less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The Group's gearing ratio was 4.0% as at 31 December 2013 and 15.2% as at 31 December 2014.

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 54, Chairman of the Board and executive Director. Mr. Ding is a director of Times New Materials, Zhuzhou Siemens and the chairman of the board of directors of Shiling. 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 the 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 an executive director and the general manager of CSR ZELRI since July 2009. Mr. Ding graduated from Southwest Jiaotong University with a bachelor's degree in Electric Locomotive in 1984, from Changsha Railway Institute with a master's degree in Traffic Information and Control in 1998, from Hunan University with a master's degree in Management Science and Engineering in 1999 and from Central South University with a doctor's degree in Intelligent Control and Pattern Recognition in 2008. Mr. Ding was elected as a member of the Chinese Academy of Engineering in December 2011. Mr. Ding has been an executive Director of the Company since September 2005, and the Chairman of the Board since December 2007.



Deng Huijin, aged 58, Vice Chairman of the Board and executive Director. Mr. Deng is a director of Times New Materials. Mr. Deng joined CSR ZELRI in 1982 and has held various positions as assistant engineer, engineer and senior engineer. He served as the 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 the Party secretary and deputy general manager of CSR ZELRI since December 2008. Mr. Deng graduated from Dalian Railway Institute with a bachelor's degree in Engineering in 1982. Mr. Deng was appointed as a non-executive Director of the Company in August 2009 and was re-designated from a non-executive Director to an executive Director of the Company on 25 March 2014. He has been the Vice Chairman of the Board since April 2010.



Li Donglin, aged 48, executive Director and general manager. Mr. Li is an executive director of Times Electronics, Ningbo Times, Times Equipment, Times Information, Shenyang Times, Kunming Electric, HK Electric, Times Australia, Times USA, Times Brasil and the chairman of the board of directors of 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 the 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 the general manager of the Company since January 2010, and an executive Director of the Company since April 2010.

Directors, Supervisors and Senior Management



Yan Wu, aged 48, 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 the director of the technical standards department of the Company from September 2005 to December 2007, and as the director of the securities and legal affairs department of the Company from January 2007 to January 2014. Mr. Yan had been the general secretary of the National Electric Traction Equipment and System Standardization Technical Committee from September 2005 to November 2011. Mr. Yan was appointed as the secretary to the Board of the Company in December 2007 and vice general manager of the Company in June 2012. He has been a non-executive Director of the Company since December 2010 and was re-designated from a non-executive Director to an executive Director of the Company on 25 March 2014.



Ma Yunkun, aged 61, non-executive Director. Mr. Ma has more than 10 years of experience in business management and was the chairman of the board of directors and general manager of Kunming China Railway from 2004 to January 2010 and has been the chairman of the board and secretary of the Party of Kunming China Railway from January 2010 to January 2015. He has been the secretary of the Party of Kunming China Railway since January 2015. 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 a non-executive Director of the Company since September 2005.



Gao Yucai, aged 74, 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 the deputy director of the Beijing Public Utility Bureau from 1983 to 1990 and the general manager of Beijing Metro Corporation from 1990 to 2001. Mr. Gao was a commissioner of the China Communication and Transportation Association ("CCTA") and director of the urban rail transportation committee of CCTA. He graduated from the PLA Engineering Institute (its predecessor is Harbin Institute of Military Engineering) in 1966. Mr. Gao has been an independent non-executive Director of the Company since November 2006.

Directors, Supervisors and Senior Management



Chan Kam Wing, Clement, aged 57, 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 (“HKICPA”) and the Institute of Chartered Accountants in England and Wales. Mr. Chan possesses the appropriate financial management expertise as required by the Listing Rules. Mr. Chan has been the Managing Director of BDO Limited since May 2009. Mr. Chan was the Asia Pacific regional director and the Board member of Horwath International from 1996 to April 2009, during which Mr. Chan was the Managing Director of Horwath Hong Kong CPA Limited. Mr. Chan has been elected as a council member of the HKICPA since 2007 and was further elected as the President of the Institute in 2014. Currently, Mr. Chan is still serving in the Council of HKICPA in the capacity as the Immediate Past President. He is actively involved in the work and matters of the technical and industry monitoring committees of the HKICPA. From 2010 to 2013, Mr. Chan was appointed as the chairman of the Financial Reporting Standards Committee of the HKICPA and was responsible for research, editing and promulgation of the Hong Kong Financial Reporting Standards. Mr. Chan has also been elected as the chairman of the Asian-Oceanian Standard-Setters Group for 2014 and 2015 and attends various international conferences on the setting of accounting standards on behalf of Hong Kong. Mr. Chan obtained a bachelor’s degree in Accounting and a master’s degree in Commerce from the United Kingdom and Australia, respectively. Mr. Chan has been an independent non-executive Director of the Company since September 2005.



Pao Ping Wing, aged 68, 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 an independent non-executive director of Oriental Press Group Limited, UDL Holdings Limited, Sing Lee Software (Group) Limited, Maoye International Holdings Limited, Capital Environment Holdings Limited, Soundwill Holdings Limited, HL Technology Group Limited and JC GROUP HOLDINGS LTD.. Mr. Pao was appointed as a Justice of Peace in 1987. Mr. Pao was appointed by the Hong Kong government as a member of the Town Planning Board, the Advisory Council on the Environment, the Hong Kong Housing Authority and the Land Development Corporation. Mr. Pao obtained a master’s degree in Science of Human Settlement Planning and Development. Mr. Pao has been an independent non-executive Director of the Company since September 2005.



Liu Chunru, aged 44, independent non-executive Director. Ms. Liu is a certified assets valuer. Ms. Liu was the vice president of Beijing China Enterprise Appraisal Co., Ltd. and the president of Zhongfa International Appraisal Co., Ltd. She has been the vice chairman of the board of Beijing Zhuoxindahua Appraisal Co., Ltd. since September 2012. Ms. Liu graduated from Chongqing University with a bachelor’s degree in Engineering in 1994 and graduated from Tsinghua University with a master’s degree in Business Administration in 2008. Ms. Liu was a supervisor of the Company from September 2005 to April 2008. Ms. Liu has been an independent non-executive Director of the Company since June 2008.

Directors, Supervisors and Senior Management

Supervisors



Xiong Ruihua, aged 46, supervisor and Chairman of the Supervisory Committee. Mr. Xiong is a senior economist. He joined CSR ZELRI in 1993 and has held various positions as Secretary of the Communist Youth League, deputy director, acting director, and director of the Audit Department of CSR ZELRI. He served as the chief financial officer and secretary of the board of Times New Materials from February 2004 to November 2007, deputy secretary and director of the audit and supervision committee of CSR ZELRI from December 2007 to November 2008, deputy vice secretary of CSR ZELRI from December 2008 to December 2009, deputy officer and director of the Audit and Risk Department of CSR from January 2010 to December 2011, Party secretary and deputy general manager of Times New Materials from January 2012 to November 2013 and the chief financial officer and vice general manager of CSR ZELRI since December 2013. Mr. Xiong is a director of Times New Materials since April 2014. Mr. Xiong graduated with a bachelor's degree in Accounting from Hunan University, and obtained his master's degree in Enterprise Management and Information Systems from Wuhan University in May 2009. Mr. Xiong has been a supervisor of the Company since June 2014.



Pang Yiming, aged 51, supervisor. Mr. Pang is the 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 the general manager of the manufacturing centre of CSR ZELRI and deputy general manager of Times Electronics, the chief production officer and director of the production department of Times Electronics. Mr. Pang served as assistant to the director and deputy general manager of the marketing management department of the marketing centre of the Company from January 2007 to January 2009, director of the marketing management department of the Company from January to December 2009, and director of the operation management department of the Company from January 2010 to December 2011. Mr. Pang has been the general manager of the printed circuit business division of the Company since January 2012. Mr. Pang graduated from Central South University in 2004 after a three-year study in management and engineering. Mr. Pang has been an employee representative supervisor of the Company since September 2005.



Zhou Guifa, aged 51, 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 the chief technology officer of Shanghai branch of the technology centre of the Company from September 2005 to December 2006, and has been the chief scientist of the Company since January 2007 and the chief technical expert of CSR since 2011. Mr. Zhou graduated from Dalian Railway Institute with a bachelor's degree in Engineering in 1985, obtained a master's degree in Engineering from the Central South University in 1997 and a doctor's degree in Engineering from the Tongji University in 2009. Mr. Zhou has been an employee representative supervisor of the Company since January 2010.

Directors, Supervisors and Senior Management



Geng Jianxin, aged 61, independent supervisor. Mr. Geng has been a teacher at the Department of Accounting of Renmin University of China since 1993 and now a professor and a doctoral supervisor. Mr. Geng graduated from Zhejiang Metallurgy and Economics College in 1981 majoring in Accounting. He worked as an assistant accountant for a geophysics exploration company of the Ministry of Metallurgical Industry from 1981 to 1984 and for the Taxation Bureau of Baoding, Hebei from 1984 to 1985. He obtained a master's degree in economics from Zhongnan University of Economics and Law in 1988 and worked as a lecturer and assistant professor at Hebei Institute of Economics and Business from 1988 to 1990. He obtained a doctor's degree in administration from the Department of Accounting of the Renmin University of China in 1993. Mr. Geng has been independent supervisor of the Company since June 2011.

Senior Management

Li Donglin, aged 48, executive Director and general manager. Biographical details of Mr Li are set out above.



Du Jinsong, aged 49, Party secretary and vice general manager. Mr. Du is a director of Hangzhou Electric and the chairman of the board of directors of Qingdao Electric. Mr. Du is a senior engineer. He joined 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, the 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 postgraduate certificate 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 44, vice general manager and chief engineer. Mr. Liu is a director of Dynex and the chairman of the board of directors of Hunan CSR Wabtec. Mr. Liu is a senior engineer. He joined CSR ZELRI in August 1994 and has held various positions as engineer, the chief engineer, senior engineer and the 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 the Chief Technology Officer of the Company from January 2010 to June 2012. He also served as the 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 the vice general manager and the chief engineer of the Company since June 2012.



Chen Jian, aged 43, vice general manager. Mr. Chen is director of Baoji Times and the chairman of the board of directors of Guangzhou Times. 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 the general manager of Zhuzhou Jierui Electronics Engineering Company Limited(株洲傑瑞電氣工程有限公司) and deputy general manager of Times Electronics. Mr. Chen has held various positions as the general manager of the marketing centre of the Company and general manager of Times Electronics since July 2005, and vice chief economist of the Company from January 2009 to December 2009. Mr. Chen was the general manager of Baoji Times from April 2009 to January 2010. He was the chief marketing officer of the Company from January 2010 to June 2012. Mr. Chen graduated from Tongji University with a bachelor's degree in Electronic Equipment and Metrological Technology in July 1995, and obtained a master's degree in Business Administration from Central South University in December 2006. Mr. Chen has been vice general manager of the Company since June 2012.



Liu Daxi, aged 50, vice general manager. Mr. Liu is director of Shiling and the chairman of the board of directors of Baoji Times. 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 the chief production officer of the Company from January 2010 to June 2012. He graduated from Beijing Jiaotong University in July 1988 with a bachelor's degree in Electric Traction and Drive Control, and studied the MBA programme at Business School of Central South University from June 2003 to April 2005. He undertook a programme in leadership in manufacturing technology at the George Washington University from November 2003 to December 2003 and studied the programme for the chief operation officer at Fudan University from September 2006 to March 2007. Mr. Liu has been the vice general manager of the Company since June 2012.

Directors, Supervisors and Senior Management



Tan Yongneng, aged 45, chief administration officer and chairman of the labour union. Mr. Tan is a director of Qingdao Electric. 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 majoring in Electrical Technology in July 1995. He attended the on-the-job postgraduate programme in Psychology and Human Resources of Peking University in 2000, and obtained a certificate of graduation by completing the full postgraduate programme in July 2002. He attended the on-the-job MBA programme of Business School of Central South University in 2003 and obtained a certificate of graduation by completing the full postgraduate programme in July 2005. Mr. Tan has been the chief administration officer and the chairman of the labour union of the Company since January 2010.



Niu Jie, aged 47, vice general manager. Mr. Niu is director of Shanghai CSR Railway. 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 the general manager of the locomotives business department of the marketing centre of the Company from January 2007 to December 2008. Mr. Niu was a technician and office director of the loading and unloading machinery plant of Lanzhou Railway Bureau from February 1988 to October 1994. He was deputy chief economist of the Company from January 2010 to June 2012 and was the general manager of the locomotives business department of the Company from January 2009 to May 2013. Mr. Niu graduated from Central South University in June 2003 with an undergraduate certificate of graduation in machinery design, manufacturing and automation. Mr. Niu has been vice general manager of the Company since June 2012.

Directors, Supervisors and Senior Management

Yan Wu, aged 48, executive Director, vice general manager and secretary to the Board. Biographical details of Mr. Yan are set out above.



Zhang Hua, aged 39, vice general manager and chief financial officer. Ms. Zhang is director of Zhuzhou Siemens. 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 the chief financial officer of Times New Materials from January 2010 to May 2013. Ms. Zhang graduated from Xiangtan University in June 1998 with a bachelor's degree in Economics and graduated from Hunan University with a master's degree in Professional Accounting in November 2012. Ms. Zhang has been vice general manager and the chief financial officer of the Company since May 2013.



Tang Tuong Hock, Gabriel, aged 62, company secretary. Mr. Tang has been a member of the Institute of Chartered Accountants in England and Wales since 1981 and is also a member of the Chartered Association of Certified Accountants in the United Kingdom. Mr. Tang has more than 20 years of experience in accounting and management in various industries. He was appointed as qualified accountant and joint company secretary of the Company from July 2006 to June 2011. Mr. Tang has served as the company secretary and the authorised representative of the Company since July 2011.

Corporate Governance Report

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

I Corporate Governance Practices

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

During the year ended 31 December 2014, the Company has fully complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code"), except for Code Provisions A.6.7 and E.1.2 as set out below.

Mr. Ding Rongjun, Chairman of the Board and an executive Director of the Company, did not attend the extraordinary general meeting and the annual general meeting due to his other important commitments that deviated the requirements of Code Provisions A.6.7 and 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 the relevant laws and regulations, the Company has set up a structure with general meetings, the Board, committees of the Board, the Supervisory Committee and the management to act as check and balance against one another. The division of responsibilities among the general meetings, the Board, committees of the Board, the Supervisory Committee and the management are distinct, and each of them is assigned with clearly defined responsibilities. The Board has delegated the execution and daily operations of the Group's business to the management. However, clear directions are given to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group. The Company will continue to improve its corporate governance mechanism, exercise discipline in the fulfilment of corporate duties, and strengthen the disclosure of information.

II Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 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, out 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 re-designated 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. 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 eleven Board meetings and two general meetings.

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

Name	Title	Attendances at the Board meetings	Attendances at the general meetings
Ding Rongjun (Note)	Chairman of the Board and Executive Director	9/11	0/2
Deng Huijin	Vice Chairman of the Board and Executive Director	11/11	2/2
Li Donglin	Executive Director	11/11	2/2
Yan Wu	Executive Director	11/11	2/2
Ma Yunkun	Non-Executive Director	11/11	2/2
Gao Yucai	Independent Non-Executive Director	11/11	2/2
Chan Kam Wing, Clement	Independent Non-Executive Director	11/11	2/2
Pao Ping Wing	Independent Non-Executive Director	11/11	2/2
Liu Chunru	Independent Non-Executive Director	11/11	2/2

Note: Mr. Ding Rongjun appointed Mr. Deng Huijin to attend on his behalf the thirteenth meeting of the third session of the Board held on 25 March 2014 and the first meeting of the fourth session of the Board held on 27 June 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 assigning the Company's counsel to explain the amendments to the Listing Rules to the Directors. All Directors attended the relevant trainings, and were aware of and read the relevant documents. The Company has received from each of the Directors the confirmation on attending continuous professional trainings.

In addition to the above, Mr. Pao Ping Wing, independent non-executive Director, attended trainings relating to the work of audit committee, Hong Kong privacy laws, connected transactions, directors' responsibilities, the CG Code, the Environmental, Social and Governance Reporting Guide of the Listing Rules, revised Listing Rules, tax updates and new stamp duty and new companies compliance etc 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.

Corporate Governance Report

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 no 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 to request, or through the general manager request, the Company's relevant department to provide him/her with any necessary information and explanation to enable him/her to make scientific, timely and prudent decisions. If any of the independent non-executive Directors considers necessary, an independent institution can be engaged to provide independent opinions to assist his/her decision-making. The Company is responsible for arranging the engagement of 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 an 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 the meeting except Mr. Ding Rongjun, who appointed Mr. Deng Huijin to attend on his behalf. 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 Stock Exchange's HKExnews website.

Corporate Governance Report

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.

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 2014
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 an independent non-executive Director. The members of the risk management committee are Messrs. Deng Huijin, Chan Kam Wing, Clement and Yan Wu. Mr. Deng Huijin is the risk management committee's chairman.

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

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

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 are Messrs. Pao Ping Wing and Gao Yucai and Ms. Liu Chunru. Mr. Pao Ping Wing is the remuneration committee's chairman.

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 Stock Exchange's HKExnews website.

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

For the year ended 31 December 2014, the remuneration of senior management fell within the following ranges:

Remuneration banding (Hong Kong Dollars)	Number
HKD1,000,000 or below	5
HKD1,000,001 – HKD2,000,000	5

Further details need to be 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 X.5(13) and Note XIII.3(3).

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 2014
Pao Ping Wing	1/1
Gao Yucai	1/1
Liu Chunru	1/1

Corporate Governance Report

e. Nomination committee

The nomination and remuneration committee was separated and changed its name to nomination committee and remuneration committee respectively as 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 Rongjun 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 nomination and appraisal of Directors and senior management members and to make recommendations to the Board on any related adjustments. The terms of reference of the nomination committee are posted on the Company's website and the Stock Exchange's HKExnews website.

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

During the reporting period, the Company held one nomination committee meeting. Re-appointment of Directors is the main issue 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 2014
Ding Rongjun (Note)	0/1
Pao Ping Wing	1/1
Liu Chunru	1/1

Note: Mr. Ding Rongjun appointed Mr. Pao Ping Wing to attend on his behalf the meeting of the nomination committee held on 25 March 2014.

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.

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

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

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

V Non-executive Directors

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

Corporate Governance Report

VI Board diversity policy

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

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

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

VII Nomination of Directors

Directors are elected at 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

Ernst & Young Hua Ming LLP (the “Ernst & Young Hua Ming”) is the auditor of the Company. For the year ended 31 December 2014, the services provided by Ernst & Young Hua Ming and Ernst & Young (China) Advisory Limited (the “Ernst & Young Advisory”) and the remuneration are as follows:

	For the year ended 31 December 2014 (RMB'000)	
Service provided:	Ernst & Young Hua Ming	Ernst & Young Advisory
Audit Service	4,028	—
Non-audit Service	—	4,400

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 2014.

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 2014 as required under Rule 3.29 of the Listing Rules.

XI Constitution

For the year ended 31 December 2014, there was no amendment to the Articles of the Company.

Corporate Governance Report

XII Internal Control

The Company has a sound organisation system of internal control. The Board is responsible for the establishment, improvement and effective implementation of the internal control system. Guided by the Board, the audit committee and the risk management committee, the audit and risk management department carries out inspection, supervision and evaluation for internal controls of the Company and its branches and subsidiaries in respect of important control functions such as financial control, operation control, compliance control and risk management, supervise and timely rectifies internal control deficiencies and effectively controls operating risks.

The Company continues to strengthen internal control systems and further enhances its control capability by deeply developing internal control and risk management. At present, the Company has sound internal control management systems such as business workflows, professional management systems and basic systems. Through the integration and optimization of management systems, the Company has strengthened the control capability at the head office and satisfactorily controlled the risk points across various businesses. On this basis, the Company constantly implements internal control self-evaluation, internal control tests, internal control weakness rectification, risk database update, risk response and risk precaution alert, thereby developing a constant mechanism for internal control and comprehensive risk management. During the reporting period, the Company adopted a group-wide audit management and control model, concentrated on the prevention of key corporate risks, attended to the close-circuit management of internal controls, strengthened the process management of important engineering projects and conducted special audit profit risks, risk controls, economic contracts, financial revenues and expenditures and effectiveness. The Company also implemented the whole-process supervision on procurement of materials and audit of infrastructure constructions and took measures to tackle and prevent high risks including technical losses and quality complaints, with a view to further enhancing the Company's internal control capability. The Company can constantly maintain and improve the Company's internal control activities and can ensure the Company's ability to withstand 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 of procedures of 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/herself (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 adopted a shareholders' communication policy (the "Policy") on 29 March 2012. Under the Policy, the Company's information shall be communicated to the shareholders mainly through general meetings (including annual general meetings), the Company's financial reports (interim reports and annual reports), and its corporate communications posted on the Company's website and the Stock Exchange's HKExnews website.

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

3. Putting proposals to general meetings

Shareholder(s) who 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, and has reported to shareholders and investors through various formal channels, which include (1) publishing quarterly reports, interim reports and annual reports; (2) holding annual general meetings and extraordinary general meetings to provide a platform for shareholders to express their opinions and to communicate with the Board; (3) holding press conference and investors conferences from time to time; (4) organising the management to conduct overseas roadshows; (5) publishing corporate communications such as announcements and circulars on the Company's website and 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.

Directors' Report

The Board is pleased to present the Directors' Report and the audited financial statements of the Group for the year ended 31 December 2014.

The Company's business activities

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

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

Business model and direction of strategy

The Company insists on adhering to the market-oriented principle of development and is 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:

1. Further expanding and enhancing our presence in the railway transportation industry by leveraging on industrial integration

By taking advantage of the opportunities arising from industrial integration, the Company shall enhance the trans-platform capability of its railway transportation products, fully explore the potential of the domestic railway transportation market and further solidify and enhance the Company's position in the railway transportation industry.

2. Taking opportunities to promote the overseas operations to a higher level

The Company shall grasp the opportunities arising from the "One Belt and One Road" ("New Silk Road Economic Belt" and "21st Century Maritime Silk Road") strategic concept put forward by the PRC government and the "Going Out" overall strategy of the PRC high-speed railway industry to strengthen the establishment of an international talent team, enhance its global operation capability and promote its overseas operations to a higher level.

3. Innovating the development approach and make long-term plans for new industries

The Company will innovate the development approach, expand its development fields and complete the planning and layout of electric drive system of electric car, intelligent robot and environmental protection industry, so as to lay a foundation for the sustainable development of the Company.

4. Conducting operations based on efficiency and benefit to strengthen the Company's cross-industry operation ability

The Company will build an efficient operation system and improve its core competitiveness by focusing on efficiency and benefit. Through the close combination of asset operation and capital operation, the Company will improve its cross-industry operation ability.

Results and dividends

Results of the Group for the year ended 31 December 2014, prepared in accordance with PRC Accounting Standards, are set out on page 55 to page 207 of this Annual Report.

The Company had profit attributable to shareholders (before proposed final dividend) of RMB5,444.4 million as at 31 December 2014. The Board proposed distribution of a cash dividend of RMB0.40 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 5 June 2015.

In order to ascertain the entitlements of shareholders to attend the forthcoming annual general meeting to be held on 5 June 2015, the register of members of the Company will be temporarily closed from 6 May 2015 to 5 June 2015 (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 11 June 2015 to 16 June 2015 (both days inclusive), during which no transfer of shares will be registered.

In respect of the distribution of dividends, dividends for domestic shares will be distributed and paid in Renminbi, while dividends for H shares will be declared in Renminbi and paid in Hong Kong Dollars (the Hong Kong Dollars equivalent shall be calculated at the average midpoint exchange rate of Renminbi to Hong Kong Dollars announced by the People's Bank of China for five working days prior to the declaration of dividend at the 2014 annual general meeting to be held on 5 June 2015). If approved, the final dividends are expected to be distributed on or about 17 July 2015 to shareholders whose name are registered in the list of shareholders on 16 June 2015.

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

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

Financial Highlights

Fixed assets

Details of the changes in the fixed assets of the Group during the year are set out in Note V.11 to the financial statements.

Short-term borrowings

Details of the Group's short-term borrowings as at 31 December 2014 are set out in Note V.19 to the financial statements.

Long-term borrowings

Details of the Group's Long-term borrowings as at 31 December 2014 are set out in Note V.26 to the financial statements.

Share capital

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

Directors' Report

Uses of proceeds from the Company's further issuance of shares

To supplement the working capital, the Company completed the placing of 91,221,000 new H Shares (the "Placing Shares") to not less than six but not more than ten placees at the placing price of HKD25.00 per share on 25 October 2013, on the terms and subject to the conditions set out in the Placing Agreement (the "Placing Agreement"). The Placing Shares were issued pursuant to a general mandate. Gross proceeds from the placing amounted to approximately HKD2,280,525,000 (equivalent to approximately RMB1,803,872,470). Net proceeds from the placing (after deducting relevant commissions and expenses) amounted to approximately RMB1,775,948,555.

For the year ended 31 December 2014, the net proceeds amounted to approximately RMB1,775,948,555 from the placing were used entirely for the Group's general corporate purposes and were used entirely for the purchase of raw materials and mechanical equipment pursuant to the Company's development strategy, mainly including the purchase of raw materials for electric multiple units, locomotives and urban railway transportation products.

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. Upon expiry of the valid term, all unexercised SARs shall automatically lapse. After two years from the date of grant, if the Company and each Eligible 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.

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 Hong Kong Stock Exchange on the date of grant;
- (b) the average closing price for the H shares of the Company on the Hong Kong 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.

Pre-emptive rights

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

Purchase, redemption or sale of listed securities of the Company

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

Shareholders' equity

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

Profit distributable to shareholders

As at 31 December 2014, the Company's profit distributable to shareholders calculated in accordance with relevant regulations amounted to approximately RMB5,444.4 million, of which RMB470.2 million has been proposed to be paid as final dividend for the year.

Directors' Report

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 62.7% of the Group's total revenue.

CSR Sifang is the largest customer of the Group, and the percentage of the Group's revenue attributable to sale to CSR Sifang during the year was approximately 27.5% of the Group's total revenue. It is owned as to 97.81% by CSR.

CSR Zhuzhou is one of the Group's five largest customers. It is owned as to 100% by CSR.

Shiling is one of the Group's five largest customers. It is owned as to 50% by the Company.

Kunming China Railway is one of the Group's five customers. 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.

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

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

The percentage of purchases attributable to the Group's five largest suppliers during the year was 40.2% 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 16.8% of the Group's total purchases. It is owned as to 50% by the Company.

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

Directors 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 (re-designated from non-executive Director to executive Director on 25 March 2014)

Li Donglin – general manager

Yan Wu (re-designated 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 – former Chairman of the Supervisory Committee (his term of appointment expired on 27 June 2014)
Xiong Ruihua-Chairman of the Supervisory Committee (Mr. Xiong was appointed on 27 June 2014)
Pang Yiming – employee representative supervisor
Zhou Guifa – employee representative supervisor
Geng Jianxin – independent supervisor

Composition of the Supervisory Committee

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

As at the date of this Report, the Supervisory Committee comprised four supervisors, of which Mr. Xiong Ruihua is the Chairman of the Supervisory Committee, 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 entities of substantial shareholders and other entities 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. 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.

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' Report

Directors' and supervisors' interests in contracts

During the year and as at 31 December 2014, 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 2014, none of the Directors, directly or indirectly, had an interests in any business which competes or may compete with the business of the Company and/or its subsidiaries.

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

During the year and as at 31 December 2014, 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' post value, work performance and competence. The Group rewards employees having outstanding performance with salary increments and bonuses. The bonus plan is discretionary and is determined by the Directors with reference to the performance of the staff and the Group's operation results. The Group places great emphasis on the provision of on-the-job-training and development 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 career development needs and releases its annual training plan at the beginning of year pursuant to which all departments need to organise staff training. The management and other employees are required to undertake training for enhancing work ability as specified by the Group. The Company has established channels for career development of employees. Employees have opportunities of promotion and development according to the orders of different positions within the Company. As at 31 December 2014, the Group had 6,455 full-time employees, and the total amount of remuneration (including salaries and allowances) for employees in 2014 was approximately RMB1,076.7 million.

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

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

Structure of share capital

The Company's share capital structure as at 31 December 2014 was as follows:

As at 31 December 2014			
Shareholder	Type	Number of shares	Approximate % of issued share capital
CSR ZELRI	Domestic share	589,585,699	50.16%
CSR ZELRI (Hong Kong)	H share	1,612,500	0.13%
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	545,716,900	46.43%
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 2014 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 (Note 1)	589,585,699	(Long position) Beneficial owner	93.86%	—	50.16%
	1,612,500	(Long position) Interest in controlled entity	—	0.29%	0.13%
CSR (Note 2)	608,966,468	(Long position) Interest in controlled entity	96.95%	—	51.81%
	1,612,500	(Long position) Interest in controlled entity	—	0.29%	0.13%
CSRG (Note 3)	618,347,237	(Long position) Interest in controlled entity	98.44%	—	52.60%
	1,612,500	(Long position) Interest in controlled entity	—	0.29%	0.13%
Schroders Plc	44,447,073	(Long position) Investment manager	—	8.12%	3.78%
JPMorgan Chase & Co. (Note 4)	797,007	(Long position) Beneficial owner	—	0.15%	0.07%
	213,000	(Long position) Investment manager	—	0.04%	0.02%
	42,667,015	(lending pool shares) Custodian corporation/ Approved lending agent	—	7.80%	3.63%
BlackRock, Inc. (Note 5)	33,543,078	(Long position) Interest in controlled entity	—	6.13%	2.85%
	31,000	(Short position) Interest in controlled entity	—	0.01%	0.00%
The Capital Group Companies, Inc. (Note 6)	33,373,500	(Long position) Interest in controlled entity	—	6.10%	2.84%
GIC Private Limited	31,517,000	(Long position) Investment manager	—	5.76%	2.68%
Fortis Investment Management SA (Note 7)	23,544,000	(Long position) Investment manager	—	4.30%	2.00%

Notes:

- (1) CSR ZELRI held its interests in the 1,612,500 H shares of the Company through its wholly-owned subsidiary CSR ZELRI (Hong Kong).
- (2) CSR is interested in 100% of 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.
- (3) 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.
- (4) As stated in the corporate substantial shareholders notification filed 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 shareholder notice filed by BlackRock, Inc., 21,000 H shares are short positions in underlying shares under equity derivative interests. BlackRock, Inc. held its interests in the shares of the Company (including underlying shares under equity derivative interests) through its wholly-owned corporations.
- (6) As stated in the corporate substantial shareholders notification filed by The Capital Group Companies, Inc., it holds interests in the shares of the Company through its wholly-owned corporations.
- (7) As stated in the corporate substantial shareholders notification filed by Fortis Investment Management SA, it holds interests in the shares of the Company through its wholly-owned corporations.

Continuing connected transactions

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

Non-exempt continuing connected transactions

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

Mutual Supply Agreement with the CSRG Group

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 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. The Company had obtained the approval from relevant independent shareholders at the extraordinary general meeting held on 29 October 2013.

Directors' Report

For the year ended 31 December 2014, the amount payable by the Group to the CSR Group for the products and services supplied by the CSR Group under the 2014-16 CSR Mutual Supply Agreement amounted to RMB1,410 million, and the amount payable by the CSR Group to the Group for the products and services supplied by the Group under the 2014-16 CSR Mutual Supply Agreement amounted to RMB7,798 million, both were within the annual caps of continuing connected transactions for the financial year ended 31 December 2014 approved by independent shareholders of the Company at the extraordinary general meeting held on 29 October 2013.

The Financial Services Framework Agreement with CSR Finance

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

For the year ended 31 December 2014, the maximum daily amount of the Group's deposits with CSR Finance under the Financial Services Framework Agreement was RMB350 million, the maximum daily amount of loans obtained from CSR Finance was RMB350 million and the amount of other financial service fees paid to CSR Finance was RMB30 million. All of such amounts are within the maximum daily caps and the total annual caps of continuing connected transactions for the financial year ended 31 December 2014 provided for by the Financial Services Framework Agreement.

Mutual Supply Agreement with Qingdao Electric

On 2 July 2014, the Company entered into the 2014-16 Qingdao Electric Mutual Supply Agreement with Qingdao Electric, pursuant to which the Company agreed to supply and procure its subsidiaries and their respective associates (excluding Qingdao Electric and its subsidiaries and their respective associates ("Qingdao Electric Group")) to supply and Qingdao Electric agreed to supply and procure its subsidiaries and their respective associates 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 on a mutual basis, which would be used in the business within the permitted scope as set out in their respective business licenses. This agreement has a term commencing on 30 May 2014 and ending on 31 December 2016. Please refer to the Company's announcement dated 2 July 2014 for details.

For the year ended 31 December 2014, the amount payable by the Group to Qingdao Electric Group for the products and services supplied by Qingdao Electric Group under the 2014-16 Qingdao Electric Mutual Supply Agreement was RMB8.6 million, and the amount payable by the Qingdao Electric Group to the Group for the products and services supplied by the Group under the 2014-16 Qingdao Electric Mutual Supply Agreement was RMB0.5 million, both were within the annual caps of continuing connected transactions for the financial year ended 31 December 2014 provided for by the 2014-16 Qingdao Electric Mutual Supply Agreement.

EC Lease Agreement with CSR ZELRI

On 1 January 2014, the Company (as lessee) entered into the EC Lease Agreement with CSR ZELRI (as lessor) pursuant to which CSR ZELRI agreed to lease certain properties and ancillary facilities located at Main Building of Engineering Centre, Times Road, Shifeng District, Zhuzhou, Hunan Province, the PRC to the Company for testing purpose for a term commencing from 1 January 2014 to 31 December 2014. For details, please refer to the discloseable transaction announcement of the Company dated 25 September 2014.

For the year ended 31 December 2014, the rent payable by the Company to CSR ZELRI under the EC Lease Agreement was RMB523,781 (excluding tax), which was within the caps of continuing connected transactions for the financial year ended 31 December 2014 provided for by the EC Lease Agreement.

HQ Lease Agreement with CSR ZELRI

On 22 January 2014, Times Equipment (as lessee) entered into the HQ Lease Agreement with CSR ZELRI (as lessor) pursuant to which CSR ZELRI agreed to lease certain properties and ancillary facilities of certain parts of the office building located at Hongqi Lu, Zhuzhou, Hunan Province, the PRC to Times Equipment for production purpose for a term commencing from 1 January 2014 to 31 December 2014. For details, please refer to the discloseable transaction announcement of the Company dated 25 September 2014.

For the year ended 31 December 2014, the rent payable by Times Equipment to CSR ZELRI under the HQ Lease Agreement was RMB112,650 (excluding tax), which was within the caps of continuing connected transactions for the financial year ended 31 December 2014 provided for by the HQ Lease Agreement.

The High Power IGBT Lease Agreement with CSR ZELRI

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

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

For the year ended 31 December 2014, the amount of rental paid by the Semiconductor Business Unit of the Company to CSR ZELRI under the high power IGBT Lease Agreement was RMB62.8 million, which was within the caps of continuing connected transactions for the financial year ended 31 December 2014 provided for by the high power IGBT Lease Agreement.

Directors' Report

Annual review of continuing connected transactions

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

- (1) are entered into in the ordinary and usual course of business of the Group;
- (2) are entered into on normal commercial terms or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available to or from (as 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 caps of continuing connected transactions for the financial year ended 31 December 2014 provided for by the relevant agreements. For the 2014-16 CSR Mutual Supply Agreement, it also did not exceed the total annual caps for the year ended 31 December 2014 approved at the extraordinary general meeting held by the Company on 29 October 2013.

Related party transactions

Details of the related party transactions undertaken by the Group during the year are set out in Note X 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 2 April 2014, the Company, CSR Sifang and Qingdao Hongda Schnell Science & Technology Co., Ltd. ("Hongda Schnell") (an independent third party) entered into the JV Agreement for the establishment of a joint venture company (which is Qingdao Electric) in Qingdao City, Shandong Province, the PRC. Pursuant to the agreement, the joint venture Company has a registered capital of RMB100 million, and is held as to 45% by the Company, 38% by CSR Sifang, and 17% by Hongda Schnell. Please refer to the Company's announcement dated 2 April 2014 for details.

On 24 December 2014, the Company and ZNERCC entered into a supplemental contract to the PV EPC Contract, under which the Company shall be responsible for the excess expenses which amount to RMB15,069,727.31 payable to ZNERCC, and that consequently, the consideration of the PV EPC Contract (as supplemented by the supplemental contract) was amended to RMB80,380,827.31. Please refer to the Company's announcement dated 24 December 2014 for details.

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 CSR 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 CSR 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 CSR 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 CSR Group.
- (vi) The terms for the supply and purchase arrangements entered into between the Group and the CSR 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 CSR Group (excluding the Parent Group) on 30 November 2006 (the "Non-Competition and Indemnity Deeds"). The Parent Group and the CSR Group (excluding the Parent Group) respectively undertook not to carry on businesses that are in competition with the Company's businesses.

In addition, CSR (a company controlled by CSR Group) and CNR (a company controlled by 中國北方機車車輛工業集團公司 (China Northern Locomotive and Rolling Stock Industry (Group) Corporation)) propose to adopt the merger principles of "conducting a merger of equals, focusing on the future, seeking joint development, making elaborate plans, promoting the merger properly and ensuring the merger is carried out in compliance with regulations" and implement the merger by merging CNR into CSR by way of absorption (the "Proposed Merger"). Through the Proposed Merger, CNR's businesses will be merged into the post-merger new company (the "Post-Merger New Company"). As certain businesses of the subsidiaries of CNR overlap with that of the Group, the Proposed Merger will result in some competitions between the Post-Merger New Company and the Group. Accordingly, CSR Group issued an undertaking letter regarding the avoidance of competition with Zhuzhou CSR Times Electric Co., Ltd. (the "Undertaking Letter") to the Company on 30 December 2014, so as to procure the Post-Merger New Company to provide non-competition undertakings to the Company. As at the date of this report, the Proposed Merger had not been completed. The Non-competition and Indemnity Deeds continue to be valid and the Undertaking Letter does not affect the performance by CSR Group and CSR ZELRI of their obligations under the Non-competition and Indemnity Deeds.

The independent non-executive Directors have reviewed the compliance issue of the Non-Competition and Indemnity Deeds with the Parent Group and the CSR Group (excluding the Parent Group) for year ended 31 December 2014, and reviewed relevant information provided by the Parent Group and the CSR Group (excluding the Parent Group). The independent non-executive Directors were of the opinion that save as disclosed above, the Parent Group and the CSR Group (excluding the Parent Group) complied with the relevant terms of the Non-Competition and Indemnity Deeds in 2014. The Parent Group and the CSR 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.

Post Balance Sheet Events

On 5 February 2015, the Company entered into an agreement with the shareholders of SMD, which consist of Inflexion Mirage Limited Partnership and several natural persons, and SMD's wholly-owned subsidiary SMD Investment regarding the Group's acquisition of the entire issued share capital of SMD. The agreement also stated that the Company shall procure SMD Investment to acquire shareholdings of SMD's Investment's subsidiary Bywell Holdings from several natural persons. After completion, SMD, SMD Investment, and Bywell Holdings and its subsidiaries will become the wholly-owned subsidiaries of the Company.

The consideration payable by the Group in respect of the acquisition includes:

- At completion, the Group shall pay an amount not exceeding GBP108,300,000 (equivalent to approximately RMB1,033,582,710) including but not limited to the price for the relevant share transfers and repayment of shareholders' loans;
- At completion, the Group shall place a retention amount of GBP10,100,000 (equivalent to approximately RMB96,391,370) into an escrow account in the joint names of the Company and the sellers. If the performances of the first financial year and the second financial year of SMD after the completion of the acquisition meet certain performance targets stipulated under the agreement, the Group shall pay additional consideration from the retention amount not exceeding GBP10,100,000 (equivalent to approximately RMB96,391,370);
- Where completion takes place later than 31 March 2015, the Group will be required to pay an additional daily earning amount as agreed under the agreement with respect to the period from 1 April 2015 to and excluding the date of completion (For the period between 1 April 2015 to 30 April 2015, the daily earnings amount is GBP10,000 per day (equivalent to approximately RMB95,437); For the period between 1 May 2015 to 31 May 2015, the daily earnings amount is GBP15,000 per day (equivalent to approximately RMB143,156); For the period between 1 June 2015 to the date of completion, the daily earnings amount is GBP20,000 per day (equivalent to approximately RMB190,874)).

Further, if the performance of the first financial year and the second financial year of SMD as agreed by the Company and the sellers after the completion of the acquisition meet certain more stringent performance targets stipulated under the agreement, the Company shall pay certain additional contingent amount up to GBP7,000,000 (equivalent to approximately RMB66,805,900).

On completion, the Company will repay or procure the repayment of the bank loans owed by SMD and its subsidiaries then outstanding. The outstanding principal and the accrued interest under the bank loans was approximately GBP11,500,000 (equivalent to approximately RMB109,752,550) as of 31 December 2014.

The completion of such acquisition is subject to fulfillment of conditions precedent. For details, please refer to the discloseable transaction announcement of the Company dated 5 February 2015.

Through the acquisition, the Company will extend its core technology in the electric transmission and control of rail transit to the areas of deepsea robots and other deepsea high-end equipment, which can quickly fill the gaps in the deepsea robots industry in China at the time being and may enable the Company to quickly get access to the applied technologies, market, management team and experience required for designing and manufacturing the deepsea marine machinery. The Company will further explore other areas of deepsea equipment in order to establish its leading position as a designer and manufacturer of deepsea marine machinery. The acquisition is in line with the state's key national industrial policies on the encouraged sectors and has significant strategic value and broad prospects for development.

Directors' Report

As of the date of this report, the acquisition has not yet been completed.

On 20 March 2015, the 3rd meeting of the fourth session of the Board of the Company approved the profit distribution plan for 2014 to distribute cash dividends of RMB470,190,655 in total to all shareholders, equivalent to the distribution of RMB0.40 per share (tax inclusive) based on the total number of 1,175,476,637 shares of the Company.

Taxation

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

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

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

The proposed dividend to be distributed is subject to the approval of the shareholders at the annual general meeting to be held on 5 June 2015.

Save as disclosed above, for the year ended 31 December 2014, 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 LLP, and a resolution will be put forward at the forthcoming annual general meeting to re-appoint Ernst & Young Hua Ming LLP as the Company's auditor.

By order of the Board

Ding Rongjun

Chairman of the Board

Zhuzhou, Hunan, PRC
20 March 2015

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. Contents of review mainly included the 2013 working report of the Supervisory Committee, the 2013 financial report, the 2013 annual report, the 2014 interim report and connected transactions etc.
2. During the year, members of the Supervisory Committee attended all general meetings and Board meetings of the Company in person or by ways of telecommunication.

II. Independent opinion of the Supervisory Committee

1. The Company carried on its operations lawfully

In 2014, in accordance with applicable laws and regulations, the Supervisory Committee reviewed the procedures adopted in the convening, passing of resolutions, decision-making procedures, results of voting of the Company's general meetings and the Board meetings, implementation of resolutions of general meetings by the Board, the performance of duties of senior management and the management system of the Company. The Supervisory Committee is of the opinion that the Directors and senior management of the Company had diligently performed their responsibilities and in compliance with the applicable laws and regulations. During the reporting period, no breaches of laws or regulations which were materially prejudicial to the Company or the interests of shareholders were discovered.

2. Financial reports give a true and accurate view

The Supervisory Committee seriously and thoroughly reviewed the Group's financial system and financial position. The Supervisory Committee considers that the Group's 2014 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 LLP 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 justness and were entered into in the interests of the Group and the shareholders as a whole. After its review, the Supervisory Committee considers that the Group's transactions in 2014 were in compliance with the relevant laws and regulations of the PRC and is not aware of any impairment to the Company's and shareholders' interest by means of connected transactions, and the total value of continuing connected transactions was within the 2014 aggregate annual caps approved by the independent shareholders at the extraordinary general meeting held on 29 October 2013.

Supervisory Committee's Report

4. The implementation of non-competition and indemnity deeds

The Supervisory Committee is of the opinion that 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, save as disclosed in the paragraph headed "Non-competition and indemnity deeds" in the Directors' Report.

5. The implementation of resolutions of the general meeting

During the year, members of the Supervisory Committee attended eleven 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.

Xiong Ruihua

Chairman of the Supervisory Committee

Zhuzhou, Hunan, PRC

20 March 2015

Auditors' Report



Ernst & Young Hua Ming LLP
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Ernst & Young Hua Ming (2015) 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 2014, 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. 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 2014 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

20 March 2015

Consolidated Statement of Financial Position

31 December 2014

Renminbi Yuan

ASSETS	Note V	31 December 2014	31 December 2013
CURRENT ASSETS			
Cash and bank balances	1	2,679,867,325	3,136,090,686
Bills receivable	2	3,184,352,916	2,213,628,831
Trade receivables	3	2,813,878,700	2,693,866,426
Prepayments	4	147,627,653	98,175,195
Other receivables	5	79,220,006	58,087,799
Inventories	6	2,207,339,644	1,428,041,311
Current portion of non-current assets	9	—	609,036
Other current assets	7	3,053,675,472	1,184,179,832
Total current assets		14,165,961,716	10,812,679,116
NON-CURRENT ASSETS			
Available-for-sale financial asset	8	900,000	900,000
Long-term receivables	9	22,082,991	31,660,131
Long-term equity investments	10	237,010,505	232,953,448
Fixed assets	11	1,770,444,529	1,595,275,624
Construction in progress	12	112,914,938	235,123,615
Intangible assets	13	268,531,012	233,054,144
Development expenditure	14	15,092,149	60,690,061
Goodwill	15	13,770,533	13,770,533
Deferred tax assets	16	251,382,881	129,399,467
Other non-current assets	17	66,812,276	52,976,184
Total non-current assets		2,758,941,814	2,585,803,207
TOTAL ASSETS		16,924,903,530	13,398,482,323

The notes set out on page 68 to page 207 are components of these financial statements.

Consolidated Statement of Financial Position

31 December 2014

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2014	31 December 2013
CURRENT LIABILITIES			
Short-term borrowings	19	4,385,940	31,172,421
Bills payable	20	1,569,649,099	928,918,770
Trade payables	21	1,861,391,032	1,749,671,703
Advances from customers	22	588,010,023	388,087,463
Employee benefits payable	23	52,112,041	88,860,161
Taxes payable	24	146,880,754	199,377,520
Other payables	25	373,833,468	200,627,465
Current portion of non-current liabilities	26	11,315,264	12,189,906
Provisions	27	329,643,512	129,761,156
Deferred income	28	49,528,830	91,849,612
Total current liabilities		4,986,749,963	3,820,516,177
NON-CURRENT LIABILITIES			
Long-term borrowings	26	37,492,529	52,179,757
Long-term payables	29	66,444,529	—
Provisions	27	480,083,471	209,494,751
Deferred income	28	168,992,811	150,787,851
Deferred tax liabilities	16	14,374,351	15,383,539
Total non-current liabilities		767,387,691	427,845,898
Total liabilities		5,754,137,654	4,248,362,075
SHAREHOLDERS' EQUITY			
Share capital	30	1,175,476,637	1,175,476,637
Capital reserve	31	3,352,499,586	3,354,300,202
Other comprehensive income	32	(30,272,682)	(21,995,965)
Special reserve	33	2,920,995	1,148,151
Surplus reserve	34	859,087,844	624,621,343
Retained earnings	35	5,631,283,306	3,882,348,394
Total equity attributable to shareholders of the Parent		10,990,995,686	9,015,898,762
Non-controlling interests		179,770,190	134,221,486
Total shareholders' equity		11,170,765,876	9,150,120,248
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16,924,903,530	13,398,482,323

The notes set out on page 68 to page 207 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 2014

Renminbi Yuan

	Note V	2014	2013
Revenue	36	12,676,196,687	8,855,963,562
Less: Cost of sales	36	7,876,406,252	5,694,547,809
Business taxes and surcharges	37	99,787,028	75,281,302
Selling expenses		880,906,676	498,498,928
Administrative expenses	38	1,349,132,921	1,005,151,727
Finance costs	39	(43,013,221)	(27,487,384)
Asset impairment losses	40	148,776,654	8,149,479
Add: Investment income	41	121,607,881	12,578,234
including: share of profits and losses of associates and a joint venture	41	51,661,839	12,578,234
Operating profit		2,485,808,258	1,614,399,935
Add: Non-operating income	42	271,989,157	90,254,941
including: gain on disposal of non-current assets	42	739,820	444,998
Less: Non-operating expenses	43	2,883,417	1,074,718
including: loss on disposal of non-current assets	43	1,507,064	713,310
Total profit	44	2,754,913,998	1,703,580,158
Less: Income tax expense	45	362,905,380	237,355,271
Net profit		2,392,008,618	1,466,224,887
Including: the acquiree's net profit before a business combination involving an enterprise under common control		—	1,682,415
Net profit attributable to shareholders of the Parent		2,394,818,236	1,467,020,759
Non-controlling interests		(2,809,618)	(795,872)
Other comprehensive income, net of tax	32		
Other comprehensive income attributable to shareholders of the Parent, net of tax			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange fluctuation reserve		(8,276,717)	(1,335,445)
Total other comprehensive income attributable to non-controlling interests, net of tax		(2,707,799)	239,117
Total comprehensive income		2,381,024,102	1,465,128,559
Including:			
Total comprehensive income attributable to shareholders of the Parent		2,386,541,519	1,465,685,314
Total comprehensive income attributable to non-controlling interests		(5,517,417)	(556,755)
Earnings per share (Yuan/Share)	46		
Basic		2.04	1.33
Diluted		2.04	1.33

The notes set out on page 68 to page 207 are components of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

Renminbi Yuan

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

The notes set out on page 68 to page 207 are components of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

Renminbi Yuan

	Attributable to shareholders of the Parent						Sub-total	Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Other comprehensive income			
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) Total comprehensive income	—	—	—	—	1,467,020,759	(1,335,445)	1,465,685,314	(556,755)	1,465,128,559
(ii) 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	—	(23,936,302)	—	—	(7,548,969)	—	(31,485,271)	—	(31,485,271)
(iii) 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)
(iv) 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	<u>1,175,476,637</u>	<u>3,354,300,202</u>	<u>1,148,151</u>	<u>624,621,343</u>	<u>3,882,348,394</u>	<u>(21,995,965)</u>	<u>9,015,898,762</u>	<u>134,221,486</u>	<u>9,150,120,248</u>

The notes set out on page 68 to page 207 are components of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

Renminbi Yuan

	Note V	2014	2013
1. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		10,557,913,114	6,691,028,433
Refunds of taxes		178,119,072	111,668,832
Cash received relating to other operating activities		250,175,592	93,631,394
Sub-total of cash inflows from operating activities		10,986,207,778	6,896,328,659
Cash paid for goods and services		(5,295,472,100)	(3,209,679,092)
Cash paid to and on behalf of employees		(1,107,198,977)	(839,976,632)
Cash paid for all types of taxes		(1,444,559,290)	(1,255,986,959)
Cash paid relating to other operating activities		(1,082,271,479)	(864,700,464)
Sub-total of cash outflows from operating activities		(8,929,501,846)	(6,170,343,147)
Net cash flows from operating activities	47	2,056,705,932	725,985,512
2. Cash flows from investing activities			
Cash received from disposal or returns of investments		2,600,000,000	400,000
Cash received from returns on investments		75,867,494	34,649,639
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,637,153	4,864,793
Cash received relating to other investing activities		31,220,000	31,890,000
Sub-total of cash inflows from investing activities		2,709,724,647	71,804,432
Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets		(338,170,950)	(298,167,639)
Cash paid for acquisition of investments		(4,500,000,000)	(1,100,900,000)
Sub-total of cash outflows from investing activities		(4,838,170,950)	(1,399,067,639)
Net cash flows used in investing activities		(2,128,446,303)	(1,327,263,207)

The notes set out on page 68 to page 207 are components of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

Renminbi Yuan

	Note V	2014	2013
3. Cash flows from financing activities			
Cash received from capital contribution		52,000,000	1,775,989,592
including: cash received from non-controlling shareholders of subsidiaries		52,000,000	41,037
Cash received from borrowings		3,507,315	66,248,385
Sub-total of cash inflows from financing activities		55,507,315	1,842,237,977
Cash repayment of borrowings		(41,557,905)	(37,570,461)
Cash paid for distribution of dividend or profits and for interest expenses		(411,881,597)	(382,274,733)
Sub-total of cash outflows from financing activities		(453,439,502)	(419,845,194)
Net cash flows (used in)/from financing activities		(397,932,187)	1,422,392,783
4. Effect of foreign exchange rate changes on cash and cash equivalents		(913,272)	—
5. Net (decrease)/increase in cash and cash equivalents		(470,585,830)	821,115,088
Add: Cash and cash equivalents at beginning of year		3,118,401,874	2,297,286,786
6. Cash and cash equivalents at end of year	47	2,647,816,044	3,118,401,874

The notes set out on page 68 to page 207 are components of these financial statements.

Statement of Financial Position

31 December 2014

Renminbi Yuan

ASSETS	Note XIV	31 December 2014	31 December 2013
CURRENT ASSETS			
Cash and bank balances	1	2,214,865,319	2,763,730,041
Bills receivable	2	2,994,220,756	2,087,270,773
Trade receivables	3	3,031,699,178	2,391,641,239
Dividends receivable	4	30,000,000	50,000,000
Prepayments	5	128,503,809	92,290,607
Other receivables	6	196,460,126	385,001,431
Inventories	7	1,730,480,968	1,095,465,119
Current portion of non-current assets	9	—	609,036
Other current assets	8	2,699,227,291	1,173,832,214
Total current assets		13,025,457,447	10,039,840,460
NON-CURRENT ASSETS			
Available-for-sale financial asset		900,000	900,000
Long-term receivables	9	19,847,943	22,720,364
Long-term equity investments	10	1,294,059,234	1,024,002,177
Fixed assets	11	1,206,542,349	1,037,731,897
Construction in progress	12	118,891,409	225,999,737
Intangible assets		115,660,593	96,437,118
Development expenditure		—	28,661,784
Deferred tax assets	13	222,587,213	111,268,479
Other non-current assets		90,235,103	49,088,132
Total non-current assets		3,068,723,844	2,596,809,688
TOTAL ASSETS		16,094,181,291	12,636,650,148

The notes set out on page 68 to page 207 are components of these financial statements.

Statement of Financial Position

31 December 2014

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XIV	31 December 2014	31 December 2013
CURRENT LIABILITIES			
Short-term borrowings		—	1,000,000
Bills payable	14	1,385,936,394	774,594,970
Trade payables	15	1,702,604,422	1,604,616,077
Advances from customers	16	512,415,169	364,389,524
Employee benefits payable		39,821,157	70,916,602
Taxes payable		113,121,711	172,621,594
Other payables	17	422,236,768	176,079,484
Provisions	18	323,041,323	122,883,674
Deferred income	19	47,471,918	91,642,700
Total current liabilities		4,546,648,862	3,378,744,625
NON-CURRENT LIABILITIES			
Long-term payables	15	66,444,529	—
Provisions	18	474,472,283	202,617,269
Deferred income	19	149,672,139	131,592,967
Total non-current liabilities		690,588,951	334,210,236
Total liabilities		5,237,237,813	3,712,954,861
SHAREHOLDERS' EQUITY			
Share capital		1,175,476,637	1,175,476,637
Capital reserve		3,378,010,293	3,378,010,293
Surplus reserve		859,087,844	624,621,343
Retained earnings		5,444,368,704	3,745,587,014
Total shareholders' equity		10,856,943,478	8,923,695,287
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16,094,181,291	12,636,650,148

The notes set out on page 68 to page 207 are components of these financial statements.

Statement of Profit or Loss

For the year ended 31 December 2014

Renminbi Yuan

	Note XIV	2014	2013
Revenue	20	11,588,016,101	7,870,519,358
Less: Cost of sales	20	7,366,292,423	5,142,486,898
Business taxes and surcharges	21	86,949,612	65,127,897
Selling expenses		803,468,303	430,351,122
Administrative expenses		1,070,973,457	767,024,360
Finance costs	22	(39,398,750)	(26,375,904)
Asset impairment losses	23	115,201,095	1,470,697
Add: Investment income	24	239,417,589	214,578,234
including: share of profits and losses of associates and a joint venture	24	15,057,057	12,578,234
Operating profit		2,423,947,550	1,705,012,522
Add: Non-operating income	25	255,176,167	69,370,473
including: income on disposal of non-current assets	25	501,510	90,144
Less: Non-operating expenses	26	1,803,294	762,733
including: loss on disposal of non-current assets	26	1,236,870	585,158
Total profit		2,677,320,423	1,773,620,262
Less: Income tax expense	27	332,655,409	218,036,248
Net profit		2,344,665,014	1,555,584,014
Other comprehensive income, net of tax		—	—
Total comprehensive income		2,344,665,014	1,555,584,014

The notes set out on page 68 to page 207 are components of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2014

Renminbi Yuan

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
2014						
I. At beginning of the year	1,175,476,637	3,378,010,293	—	624,621,343	3,745,587,014	8,923,695,287
II. Movements during the year						
(i) Total comprehensive income	—	—	—	—	2,344,665,014	2,344,665,014
(ii) Profit appropriation						
1. Transfer to surplus reserve	—	—	—	234,466,501	(234,466,501)	—
2. Dividend paid	—	—	—	—	(411,416,823)	(411,416,823)
(iii) Special reserve						
1. Accrued during the year	—	—	11,428,244	—	—	11,428,244
2. Paid during the year	—	—	(11,428,244)	—	—	(11,428,244)
III. Closing balance	<u>1,175,476,637</u>	<u>3,378,010,293</u>	<u>—</u>	<u>859,087,844</u>	<u>5,444,368,704</u>	<u>10,856,943,478</u>

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
2013						
I. At beginning of the 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) Total comprehensive income	—	—	—	—	1,555,584,014	1,555,584,014
(ii) Capital contribution and withdrawal by shareholders						
1. Capital contribution by shareholders	91,221,000	1,684,727,555	—	—	—	1,775,948,555
(iii) Profit appropriation						
1. Transfer to surplus reserve	—	—	—	155,558,401	(155,558,401)	—
2. Dividend paid	—	—	—	—	(379,489,473)	(379,489,473)
(iv) 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>

The notes set out on page 68 to page 207 are components of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2014

Renminbi Yuan

	Note XIV	2014	2013
1. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		9,147,374,867	5,881,340,029
Refunds of taxes		175,417,890	85,778,465
Cash received relating to other operating activities		251,230,746	55,166,346
Sub-total of cash inflows from operating activities		9,574,023,503	6,022,284,840
Cash paid for goods and services		(5,320,460,027)	(3,062,942,842)
Cash paid to and on behalf of employees		(683,483,717)	(569,334,450)
Cash paid for all types of taxes		(1,298,917,503)	(997,064,434)
Cash paid relating to other operating activities		(586,150,250)	(800,385,559)
Sub-total of cash outflows from operating activities		(7,889,011,497)	(5,429,727,285)
Net cash flows from operating activities	28	1,685,012,006	592,557,555
2. Cash flows from investing activities			
Cash received from disposal or returns of investments		2,600,000,000	—
Cash received from returns on investments		250,650,806	186,649,639
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,153,140	590,126
Cash received relating to other investing activities		30,020,000	30,290,000
Sub-total of cash inflows from investing activities		2,882,823,946	217,529,765
Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets		(284,092,072)	(195,274,051)
Cash paid for acquisition of investments		(4,426,000,000)	(1,204,962,679)
Sub-total of cash outflows from investing activities		(4,710,092,072)	(1,400,236,730)
Net cash flows used in investing activities		(1,827,268,126)	(1,182,706,965)

The notes set out on page 68 to page 207 are components of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2014

Renminbi Yuan

	Note XIV	2014	2013
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		—	1,776,948,555
Cash paid for distribution of dividends or profits and for interest expenses		(406,388,599)	(379,489,473)
Sub-total of cash outflows from financing activities		(406,388,599)	(379,489,473)
Net cash flows (used in)/from financing activities		(406,388,599)	1,397,459,082
4. Effect of foreign exchange rate changes on cash and cash equivalents		(220,003)	—
5. Net (decrease)/increase in cash and cash equivalents		(548,864,722)	807,309,672
Add: Cash and cash equivalents at beginning of year		2,763,730,041	1,956,420,369
6. Cash and cash equivalents at end of year	28	2,214,865,319	2,763,730,041

The notes set out on page 68 to page 207 are components of these financial statements.

Notes to Financial Statements

31 December 2014

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. The H shares of the Company were listed on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The registered office of the Company is located at Times Road, Shifeng District, Zhuzhou City, Hunan Province, the PRC. The Company and its subsidiaries (together, the "Group") are principally engaged in the sale and manufacture of train-borne electrical systems and electrical components.

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

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

As at 31 December 2014, the Company had issued an aggregate of 1,175,476,637 shares as share capital, refer to Note V.30.

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 20 March 2015. According to the Articles of Association of the Company, the financial statements will be submitted to the general meeting for consideration.

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

Notes to Financial Statements

31 December 2014

Renminbi Yuan

II. Basis of Preparation

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

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

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

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 1 January to 19 March 2014. The above six Accounting Standards for Business Enterprises are effective from 1 July 2014, and entities 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 in the preparation of the financial statements for the year 2013 in accordance with the regulation in the transition period.

On 27 March 2014, the Ministry of Finance issued Accounting Standards for Business Enterprises No.41 Disclosure of Interests in Other Entities which is effective on 1 July 2014, and entities listed overseas are encouraged to adopt it in advance. On 11 July 2014, the Ministry of Finance issued Accounting Standards for Business Enterprises No.37 Financial Instruments Disclosure, and required enterprises that have implemented Accounting Standards for Business Enterprises to adopt this accounting standard for the year 2014 and subsequent periods. The Company has adopted the above Accounting Standards for Business Enterprises in the preparation of the financial statements for the six months ended 30 June 2014 and the year 2014. The change of accounting policies by reason of the adoption of the above the accounting standards have been applied to the Company for the current year’s financial statements and no retrospective adjustments have been made to the comparative financial information.

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 2014 and the financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

III. Significant Accounting Policies and Estimates

1. Accounting period

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

2. 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.

3. Business combinations

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

Business combinations involving entities under common control

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

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

Notes to Financial Statements

31 December 2014

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

3. Business combinations (continued)

Business combinations not involving entities under common control

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

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

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

4. 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 2014 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.

III. Significant Accounting Policies and Estimates (continued)

4. Consolidated financial statements (continued)

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

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

5. Joint arrangement classification and joint operation

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

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

6. 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.

Notes to Financial Statements

31 December 2014

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

7. 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.

8. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

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

III. Significant Accounting Policies and Estimates (continued)

8. Financial instruments (continued)

Recognition and derecognition of financial instruments (continued)

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

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

Classification and measurement of financial assets

The Group's financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, other current assets, loans and receivables, available-for-sale financial assets 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.

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.

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III. Significant Accounting Policies and Estimates (continued)

8. Financial instruments (continued)

Classification and measurement of financial assets (continued)

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial assets 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.

III. Significant Accounting Policies and Estimates (continued)

8. Financial instruments (continued)

Classification and measurement of financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Offsetting of financial instruments

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

Impairment of financial assets

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

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III. Significant Accounting Policies and Estimates (continued)

8. Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

If an impairment loss on a financial asset has been incurred, the carrying amount of the asset is reduced to the present value of expected future cash flows through the use of allowance account (excluding future credit losses that have not been incurred). The amount reduced is recognised in profit or loss. The present value of expected future cash flows is discounted at the financial asset's original effective interest rate (i.e., effective interest rate computed on initial recognition) and includes the value of any related collateral. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

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

Available-for-sale financial assets

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

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

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

III. Significant Accounting Policies and Estimates (continued)

8. Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets carried at cost

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

Transfer of financial assets

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

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

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

9. 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.

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III. Significant Accounting Policies and Estimates (continued)

10. Long-term equity investments

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

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

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

III. Significant Accounting Policies and Estimates (continued)

10. Long-term equity investments (continued)

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

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

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

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

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

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III. Significant Accounting Policies and Estimates (continued)

11. Fixed assets

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

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

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

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

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

12. 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.

III. Significant Accounting Policies and Estimates (continued)

13. 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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III. Significant Accounting Policies and Estimates (continued)

14. 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.

III. Significant Accounting Policies and Estimates (continued)

15. Impairment of assets

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

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

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

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

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

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

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

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III. Significant Accounting Policies and Estimates (continued)

16. Employee benefits

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

Short-term benefits

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

Benefits after demission (Defined contribution plan)

The employees of the Group participate in 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.

17. Provisions

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

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

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

III. Significant Accounting Policies and Estimates (continued)

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.

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.

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III. Significant Accounting Policies and Estimates (continued)

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

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

20. Income tax

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

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

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

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

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

III. Significant Accounting Policies and Estimates (continued)

20. Income tax (continued)

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.

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.

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III. Significant Accounting Policies and Estimates (continued)

21. Leases (continued)

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. Distribution of profit

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

23. 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.

24. 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 at the end of each reporting period.

III. Significant Accounting Policies and Estimates (continued)

25. Significant accounting judgements and estimates

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

Judgements

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

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

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

Estimation uncertainty

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

Impairment of trade receivables

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

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.

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III. Significant Accounting Policies and Estimates (continued)

25. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Deferred tax assets

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

Impairment of goodwill

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

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.

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III. Significant Accounting Policies and Estimates (continued)

26. Changes in accounting estimates

In 2014, the Group reassessed the useful life of machineries based on actual usage of machineries, and reduced the useful life of machineries from 10 years to 6 years.

Main effects on financial statements for the year 2014 of above changes in accounting estimates are demonstrated as follows:

The Group

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

The Company

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

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IV. Taxes

1. Major categories of taxes and respective tax rates

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

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

2. Tax benefits and official approval

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

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

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

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V. Notes to Key Items of the Consolidated Financial Statements

1. Cash and bank balances

	31 December 2014	31 December 2013
Cash	44,547	18,163
Cash in bank	2,641,329,027	3,106,611,005
Other cash and bank balances	38,493,751	29,461,518
	<u>2,679,867,325</u>	<u>3,136,090,686</u>

As at 31 December 2014, the cash and bank balances of RMB21,953,359 (31 December 2013: RMB21,535,606) and RMB16,540,392 (31 December 2013: RMB7,925,912) of the Group are restricted as security deposits for issuance of bank acceptance bills and issuance of bank letters of guarantee respectively.

As at 31 December 2014, the cash and bank balances deposited overseas by the Group were equivalent to RMB10,550,753 (31 December 2013: RMB12,719,813).

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 2014	31 December 2013
Bank acceptance bills	1,375,006,916	892,631,600
Commercial acceptance bills	1,809,346,000	1,320,997,231
	<u>3,184,352,916</u>	<u>2,213,628,831</u>

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

2. Bills receivable (continued)

Five highest bills receivable are listed as follows:

	31 December 2014
CSR Zhuzhou Electric Locomotive Co., Ltd.	1,070,000,000
CSR Sifang Rolling Stock Co., Ltd.	264,000,000
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	255,000,000
Non-related party	230,896,000
Ziyang CSR Electric Locomotive Co., Ltd.	162,200,000
	1,982,096,000
	31 December 2013
CSR Zhuzhou Electric Locomotive Co., Ltd.	812,536,231
Non-related party 1	245,620,000
CSR Sifang Rolling Stock Co., Ltd.	226,000,000
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	203,400,000
Non-related party 2	104,000,000
	1,591,556,231

As at 31 December 2013, the title of bills receivable with a carrying amount of RMB1,000,000 was restricted.

3. Trade receivables

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

Maturity analysis:

	31 December 2014	31 December 2013
Within 6 months	2,486,167,476	2,359,481,905
6 months to 1 year	165,489,115	232,133,840
1 to 2 years	268,483,688	167,177,563
2 to 3 years	26,923,378	6,688,434
Over 3 years	7,360,713	12,921,980
	2,954,424,370	2,778,403,722
Less: Provision for bad debt	118,462,679	52,877,165
	2,835,961,691	2,725,526,557
Less: Classified as non-current assets (Note V. 9)	22,082,991	31,660,131
	2,813,878,700	2,693,866,426

Notes to Financial Statements

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

3. Trade receivables (continued)

The movements of provision for bad debt are as follows:

	2014	2013
Opening balance	52,877,165	42,917,850
Provision in the current year	71,382,522	13,611,556
Reversal in the current year	(2,754,726)	(3,062,647)
Write-off in the current year	(3,027,791)	(568,834)
Exchange realignment	(14,491)	(20,760)
Closing balance	<u>118,462,679</u>	<u>52,877,165</u>

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

	31 December 2014	31 December 2013
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	278,202,177	310,865,702
CSR Zhuzhou Electric Locomotive Co., Ltd.	235,334,005	125,264,605
CSR Qishuyan Locomotive Co., Ltd.	187,137,679	124,684,775
Non-related party	123,548,658	123,357,520
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	112,512,294	95,189,721
	<u>936,734,813</u>	<u>779,362,323</u>

Notes to Financial Statements

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

4. Prepayments

Maturity analysis:

	31 December 2014	31 December 2013
Within 1 year	141,087,808	93,995,875
1 to 2 years	5,145,359	1,422,072
2 to 3 years	133,387	511,028
Over 3 years	1,261,099	2,246,220
	147,627,653	98,175,195

Five highest prepayments are listed as follows:

	31 December 2014	31 December 2013
Non-related party 1	38,680,828	
Hunan CSR Webtec Railway Transportation Technology Co., Ltd. ("Xiwu")	20,000,000	
Non-related party 2	14,382,020	
Non-related party 3	8,814,138	
Non-related party 4	5,412,403	
	87,289,389	
		22,793,963
Non-related party 1		9,450,932
Non-related party 2		6,308,548
Non-related party 3		4,548,571
Non-related party 4		4,225,530
Non-related party 5		47,327,544

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

5. Other receivables

Maturity analysis:

	31 December 2014	31 December 2013
Within 1 year	75,093,027	53,947,460
1 to 2 years	4,115,311	2,729,540
2 to 3 years	1,243,443	1,472,297
Over 3 years	4,030,896	2,775,765
	84,482,677	60,925,062
Less: Provision for bad debt	5,262,671	2,837,263
	79,220,006	58,087,799

The movements of provision for bad debt are as follows:

	2014	2013
Opening balance	2,837,263	2,831,876
Provision in the current year	2,437,908	30,893
Reversal in the current year	(12,500)	(25,506)
Closing balance	5,262,671	2,837,263

Net value of other receivables by nature is as follows:

	31 December 2014	31 December 2013
Customs deposit	40,215,000	31,546,168
Deposit	14,529,583	6,748,272
Tender deposit	9,642,194	4,244,399
Others	14,833,229	15,548,960
	79,220,006	58,087,799

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

5. Other receivables (continued)

Five highest other receivables are listed as follows:

	31 December 2014
Non-related party 1	40,215,000
Non-related party 2	4,159,674
Non-related party 3	1,938,000
Non-related party 4	1,145,000
Non-related party 5	1,095,955
	48,553,629
	31 December 2013
Non-related party 1	31,546,168
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	1,633,918
Non-related party 2	1,140,215
Non-related party 3	1,050,000
Non-related party 4	1,000,000
	36,370,301

6. Inventories

	31 December 2014		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	538,111,869	42,738,369	495,373,500
Work in progress and semi-finished products	592,359,138	67,073,295	525,285,843
Finished goods	1,214,975,643	33,524,243	1,181,451,400
Turnover materials	5,578,890	349,989	5,228,901
	2,351,025,540	143,685,896	2,207,339,644
	31 December 2013		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	486,138,378	43,421,802	442,716,576
Work in progress and semi-finished products	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
	1,519,804,367	91,763,056	1,428,041,311

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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:

2014

	Opening balance	Provision	Write-off and reversal	Exchange realignment	Closing balance
Raw materials	43,421,802	7,790,404	(7,998,149)	(475,688)	42,738,369
Work in progress and semi-finished products	27,459,854	57,087,388	(16,247,696)	(1,226,251)	67,073,295
Finished goods	19,965,536	27,204,648	(12,177,745)	(1,468,196)	33,524,243
Turnover materials	915,864	48,844	(614,719)	—	349,989
	91,763,056	92,131,284	(37,038,309)	(3,170,135)	143,685,896

2013

	Opening balance	Provision	Write-off and reversal	Exchange realignment	Closing balance
Raw materials	57,633,748	9,608,289	(23,785,512)	(34,723)	43,421,802
Work in progress and semi-finished products	21,523,807	12,782,580	(6,811,551)	(34,982)	27,459,854
Finished goods	60,778,709	6,935,979	(47,730,212)	(18,940)	19,965,536
Turnover materials	1,065,557	165,847	(315,540)	—	915,864
	141,001,821	29,492,695	(78,642,815)	(88,645)	91,763,056

7. Other current assets

	31 December 2014	31 December 2013
Bank financial products (Note 1)	3,005,078,548	600,000,000
Entrusted loan (Note 2)	—	500,000,000
Prepaid corporation income tax	895,068	7,503,645
Prepaid value-added tax	46,887,745	53,740,346
Prepaid city maintenance and construction surtax	—	9,975,978
Other prepaid tax	814,111	12,959,863
	3,053,675,472	1,184,179,832

Note1: As at 31 December 2014, the bank financial products held by the Group are principal guaranteed and income yielding with yield rates from 3.20% to 5.69% (31 December 2013: 5.45%-6.20%). These bank financial products will expire in succession before 30 June 2015.

Note2: 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 yielding rate is 5.40%. CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. had paid back full amount in advance on 2 December 2014.

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31 December 2014

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

8. Available-for-sale financial assets

	31 December 2014	31 December 2013
Available-for-sale equity instruments, at cost	900,000	900,000

2014

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

2013

	Opening balance	Movements of the year	Closing balance	Proportion of shareholding	Cash dividend received
CSR Transit Tram Research Institute (Guangzhou)	—	900,000	900,000	9.00%	—
Changchun Railway Vehicles Technology Development Co., Ltd.	400,000	(400,000)	—	3.64%	—
	400,000	500,000	900,000		—

9. Long-term receivables

	31 December 2014	31 December 2013
Trade receivables (Note V. 3)	22,082,991	31,660,131
Long-term finance lease receivables	—	609,036
	22,082,991	32,269,167
Less: Long-term receivables due within one year	—	609,036
	22,082,991	31,660,131

Notes to Financial Statements

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

10. Long-term equity investments

2014

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

2013

	Current period movements			Closing balance
	Opening balance	Investment income under equity method	Cash dividends announced	
Non-listed investments				
Equity method				
A joint venture				
Shiling	169,050,112	16,182,854	(9,000,000)	176,232,966
Associates				
Zhuzhou Siemens	72,803,665	(124,995)	(25,649,639)	47,029,031
Xiwu	13,171,076	(3,479,625)	—	9,691,451
	<u>85,974,741</u>	<u>(3,604,620)</u>	<u>(25,649,639)</u>	<u>56,720,482</u>
	<u>255,024,853</u>	<u>12,578,234</u>	<u>(34,649,639)</u>	<u>232,953,448</u>

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

11. Fixed assets

2014

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

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

11. Fixed assets (continued)

2013

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	951,506,557	951,127,389	35,070,906	151,249,966	2,088,954,818
Purchase	238,603	28,837,564	1,385,131	21,922,003	52,383,301
Construction in progress	168,697,990	63,712,118	341,880	996,372	233,748,360
Sale and disposal	—	(9,924,635)	(742,020)	(2,755,682)	(13,422,337)
Exchange realignment	(237,724)	(1,284,745)	(48,982)	(3,050)	(1,574,501)
Closing balance	<u>1,120,205,426</u>	<u>1,032,467,691</u>	<u>36,006,915</u>	<u>171,409,609</u>	<u>2,360,089,641</u>
Accumulated depreciation					
Opening balance	138,674,481	346,284,872	17,509,322	85,321,191	587,789,866
Increase	32,502,288	81,230,836	5,048,596	19,680,339	138,462,059
Write-off	—	(3,685,203)	(706,024)	(2,282,115)	(6,673,342)
Exchange realignment	24,357	136,999	(2,066)	(1,461)	157,829
Closing balance	<u>171,201,126</u>	<u>423,967,504</u>	<u>21,849,828</u>	<u>102,717,954</u>	<u>719,736,412</u>
Impairment provision					
Opening balance	9,411,739	36,396,528	—	885,228	46,693,495
Write-off	—	(1,615,890)	—	—	(1,615,890)
Closing balance	<u>9,411,739</u>	<u>34,780,638</u>	<u>—</u>	<u>885,228</u>	<u>45,077,605</u>
Net carrying amount					
31 December 2013	<u>939,592,561</u>	<u>573,719,549</u>	<u>14,157,087</u>	<u>67,806,427</u>	<u>1,595,275,624</u>
31 December 2012	<u>803,420,337</u>	<u>568,445,989</u>	<u>17,561,584</u>	<u>65,043,547</u>	<u>1,454,471,457</u>

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Renminbi Yuan

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

11. Fixed assets (continued)

Fixed assets held under operating leases are as follows:

	31 December 2014	31 December 2013
Buildings	61,240,498	73,155,348

As at 31 December 2014, the title of fixed assets with a net carrying amount of RMB29,096,352 (31 December 2013: RMB34,861,796) was pledged to secure general banking facilities granted to the Group.

As at 31 December 2014, the Group was in the process of applying for the title certificates of certain buildings with an aggregate carrying amount of RMB286,026,418 (31 December 2013 : RMB172,492,033). 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 2014.

12. Construction in progress

	31 December 2014	31 December 2013
Power electronic devices & electric drive system test platform construction project	88,054,052	—
Maotangao staff dorm building construction project	5,389,782	85,507,535
8 MW golden sun demonstration project	—	51,430,000
Converter manufacturing plant construction project	—	1,205,680
Photovoltaic power generation comprehensive test system construction project	—	13,091,536
Others	19,471,104	83,888,864
	112,914,938	235,123,615

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

12. Construction in progress (continued)

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

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

The movements of construction in progress in 2013 are as follows:

	Budget	Opening balance	Increase	Transferred to fixed assets	Exchange realignment	Closing balance	Capital resource	Proportion of budget invested
Maotangao staff dorm building construction project	121,436,500	20,915,724	64,591,811	—	—	85,507,535	Self-raised & government grant	70%
8 MW golden sun demonstration project	72,000,000	51,430,000	—	—	—	51,430,000	grant	71%
Converter manufacturing plant construction project	165,000,000	104,867,313	43,687,601	147,349,234	—	1,205,680	Self-raised Self-raised & government grant	93%
Photovoltaic power generation comprehensive test system construction project	13,500,000	11,445,014	1,646,522	—	—	13,091,536	grant	97%
Others		59,849,533	110,555,585	86,399,126	(117,128)	83,888,864		
		<u>248,507,584</u>	<u>220,481,519</u>	<u>233,748,360</u>	<u>(117,128)</u>	<u>235,123,615</u>		

Notes to Financial Statements

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Renminbi Yuan

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

13. Intangible assets

2014

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

Notes to Financial Statements

31 December 2014

Renminbi Yuan

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

13. Intangible assets (continued)

2013

	Land use rights	Software licenses	Patents, licenses and technical know-how	Total
Cost				
Opening balance	177,772,004	54,123,157	211,769,251	443,664,412
Purchase	17,409,878	12,789,886	2,000,002	32,199,766
Internal development	—	—	11,256,496	11,256,496
Exchange realignment	(130,521)	—	(273,265)	(403,786)
Closing balance	<u>195,051,361</u>	<u>66,913,043</u>	<u>224,752,484</u>	<u>486,716,888</u>
Accumulated amortisation				
Opening balance	18,166,249	38,297,139	45,306,660	101,770,048
Increase	3,487,326	10,125,593	8,287,629	21,900,548
Exchange realignment	—	—	(1,635,472)	(1,635,472)
Closing balance	<u>21,653,575</u>	<u>48,422,732</u>	<u>51,958,817</u>	<u>122,035,124</u>
Impairment provision				
Opening balance	—	—	131,627,620	131,627,620
Closing balance	—	—	131,627,620	131,627,620
Net carrying amount				
31 December 2013	<u>173,397,786</u>	<u>18,490,311</u>	<u>41,166,047</u>	<u>233,054,144</u>
31 December 2012	<u>159,605,755</u>	<u>15,826,018</u>	<u>34,834,971</u>	<u>210,266,744</u>

As at 31 December 2014, certain of the Group's land use rights with a net carrying amount of RMB16,779,524 (31 December 2013: RMB17,768,386) were pledged to secure banking facilities granted to the Group with an amount of RMB16,504,259 (31 December 2013: RMB27,463,697).

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. 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.

Notes to Financial Statements

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

14. Development expenditure

2014

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

2013

	Opening balance	Internal development	Decrease		Closing balance
			Recognised as intangible asset	Recognised in profit or loss	
Research expenses	—	528,321,938	—	528,321,938	—
Development expenses	51,855,957	20,090,600	11,256,496	—	60,690,061
	<u>51,855,957</u>	<u>548,412,538</u>	<u>11,256,496</u>	<u>528,321,938</u>	<u>60,690,061</u>

15. Goodwill

2014

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

2013

	Opening balance	Exchange realignment	Closing balance	Impairment provision	Net carrying amount
Dynex Power Inc.	47,005,653	(487,695)	46,517,958	46,517,958	—
Ningbo Times	437,432	—	437,432	—	437,432
Times Electronics	13,333,101	—	13,333,101	—	13,333,101
	<u>60,776,186</u>	<u>(487,695)</u>	<u>60,288,491</u>	<u>46,517,958</u>	<u>13,770,533</u>

Notes to Financial Statements

31 December 2014

Renminbi Yuan

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

15. Goodwill (continued)

The movements of impairment of goodwill are as follows:

2014

	Opening/ Closing balance
Dynex Power Inc.	<u>46,517,958</u>

2013

	Opening balance	Provision in the current year	Closing balance
Dynex Power Inc.	<u>—</u>	<u>46,517,958</u>	<u>46,517,958</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 of the asset group. The expected future cash flows were determined according to cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied for the cash flow projections was 15% (2013: 15%), and cash flows beyond the five-year period were extrapolated using a growth rate of 2% (2013: 2%).

Assumptions were used for the calculation of the present values of expected future cash flows of the asset groups as at 31 December 2014 and 31 December 2013. 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.

In 2013, Dynex Power Inc., a subsidiary of the Company had losses in operation, and management of the Company calculated the present value of its future cash flow based on Dynex Power Inc.'s next 5 years financial budget. According to the impairment test results, the Group accrued the full amount of the goodwill impairment of Dynex Power Inc..

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

16. Deferred tax assets/liabilities

	31 December 2014		31 December 2013	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for product quality warranties	809,154,161	121,373,124	339,255,907	51,014,721
Provision for impairment of assets	460,005,259	71,811,054	138,955,698	20,982,082
Government grants	218,521,641	33,699,005	238,638,659	36,737,248
Depreciation differences arising from different depreciation terms in tax laws and accounting	80,858,803	12,218,268	—	—
Payroll payable	29,677,181	4,472,277	60,180,641	9,027,096
Deductible losses	14,555,823	2,911,165	37,248,697	7,449,739
Others	32,653,262	4,897,988	27,923,874	4,188,581
	1,645,426,130	251,382,881	842,203,476	129,399,467

	31 December 2014		31 December 2013	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Fair value adjustments arising from acquisition of subsidiaries	824,803	164,961	4,680,170	936,034
Depreciation differences arising from different depreciation terms in tax laws and accounting	71,046,952	14,209,390	72,237,525	14,447,505
	71,871,755	14,374,351	76,917,695	15,383,539

Notes to Financial Statements

31 December 2014

Renminbi Yuan

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

16. Deferred tax assets/liabilities (continued)

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

	31 December 2014	31 December 2013
Deductible losses	94,831,656	97,201,319
Deductible temporary differences	108,383,956	111,315,044
	203,215,612	208,516,363

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

	31 December 2014	31 December 2013
2014	—	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	33,472,072
2019	4,980,050	—
	94,831,656	97,201,319

17. Other non-current assets

	31 December 2014	31 December 2013
Prepayments for acquisition of land use rights	42,831,600	42,831,600
Prepayments for construction in progress	6,079,951	3,110,801
Prepayments for purchase of machinery and equipment	17,900,725	7,033,783
	66,812,276	52,976,184

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Renminbi Yuan

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

18. Provision for impairment of assets

2014

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

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
	365,072,662	89,653,102	(81,503,623)	(2,412,069)	(109,405)	370,700,667

19. Short-term borrowings

	31 December 2014	31 December 2013
Credit loans	—	2,799,996
Mortgaged loans	—	2,195,132
Pledged loans	—	1,000,000
Other loans (Note V. 26. Note)	4,385,940	25,177,293
	4,385,940	31,172,421

As at 31 December 2014, the annual interest rate of the borrowings above is 0-2.82% (31 December 2013: 0-3.31%).

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31 December 2014

Renminbi Yuan

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

20. Bills payable

	31 December 2014	31 December 2013
Commercial acceptance bills	136,450,000	91,841,000
Bank acceptance bills	1,433,199,099	837,077,770
	<u>1,569,649,099</u>	<u>928,918,770</u>

21. Trade payables

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

	31 December 2014	31 December 2013
Within 3 months	1,327,939,003	1,288,551,535
3 months to 1 year	366,538,133	303,215,820
1 to 2 years	105,588,086	55,258,225
2 to 3 years	38,917,349	91,891,313
Over 3 years	88,852,990	10,754,810
	<u>1,927,835,561</u>	<u>1,749,671,703</u>
Less: Classified as long-term payables	66,444,529	—
	<u>1,861,391,032</u>	<u>1,749,671,703</u>

22. Advances from customers

	31 December 2014	31 December 2013
Within 1 year	550,053,437	359,736,136
1 to 2 years	34,703,035	25,510,507
2 to 3 years	985,748	1,047,475
Over 3 years	2,267,803	1,793,345
	<u>588,010,023</u>	<u>388,087,463</u>

Notes to Financial Statements

31 December 2014

Renminbi Yuan

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

23. Employee benefits payable

2014

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

2013

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Short-term benefits	57,136,038	746,223,227	723,765,948	(176,562)	79,416,755
Benefits after demission (defined contribution plan)	6,776,125	111,408,808	108,741,522	(5)	9,443,406
	<u>63,912,163</u>	<u>857,632,035</u>	<u>832,507,470</u>	<u>(176,567)</u>	<u>88,860,161</u>

Details of short-term benefits are as follows:

2014

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

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

23. Employee benefits payable (continued)

Details of short-term benefits are as follows: (continued)

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 Insurance	2,591,120	46,167,944	47,914,950	—	844,114
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
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
	<u>57,136,038</u>	<u>746,223,227</u>	<u>723,765,948</u>	<u>(176,562)</u>	<u>79,416,755</u>

Details of defined contribution plan are as follows:

2014

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

2013

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Basic pension insurance	220,232	69,346,588	68,851,765	(5)	715,050
Unemployment insurance	68,754	6,705,706	6,555,344	—	219,116
Annuity	6,487,139	35,356,514	33,334,413	—	8,509,240
	<u>6,776,125</u>	<u>111,408,808</u>	<u>108,741,522</u>	<u>(5)</u>	<u>9,443,406</u>

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

24. Taxes payable

	31 December 2014	31 December 2013
Corporate income tax	91,158,247	159,686,141
Value-added tax	28,283,721	20,074,762
City maintenance and construction and education surcharge	12,586,286	9,797,152
Individual income tax	12,484,671	6,594,389
Others	2,367,829	3,225,076
	<u>146,880,754</u>	<u>199,377,520</u>

25. Other payables

	31 December 2014	31 December 2013
Within 1 year	318,173,480	148,069,030
1 to 2 years	15,411,130	33,877,862
2 to 3 years	27,975,783	16,249,297
Over 3 years	12,273,075	2,431,276
	<u>373,833,468</u>	<u>200,627,465</u>

26. Long-term borrowings

	31 December 2014	31 December 2013
Mortgaged loans	19,374,169	31,907,716
Other loans (Note)	29,433,624	32,461,947
	<u>48,807,793</u>	<u>64,369,663</u>
Less: Long-term borrowings due within one year	11,315,264	12,189,906
	<u>37,492,529</u>	<u>52,179,757</u>

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

26. Long-term borrowings (continued)

Maturity analysis:

	31 December 2014	31 December 2013
Due within 1 year	11,315,264	12,189,906
Due within 2 years	36,731,093	11,982,095
Due within 3 to 5 years	761,436	40,197,662
	48,807,793	64,369,663

As at 31 December 2014, the annual interest rate of the above borrowings is 0-6.56% (31 December 2013: 0-6.56%).

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 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Cash and bank balances	4,719,510	4,437,979
Trade receivables	44,713,132	72,680,143
Other receivables	4,758,704	2,239,989
Prepayments	1,384,020	1,329,886
Inventories	76,119,536	70,344,531
Other current assets	15,642	797,732
Fixed assets	160,738,604	145,591,778
Construction in progress	3,793,271	8,828,552
	296,242,419	306,250,590

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

27. Provisions

2014

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

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				<u>129,761,156</u>
				<u>209,494,751</u>

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

As at 31 December 2014, to the problems of specific product quality occurred in current year, the management of the Company estimated the replacement and maintenance expenditures, including material, labour, and other costs, based on maintenance plans, and translated it into the present value by selecting an appropriate discount rate to recognise additional provision for warranties. Therefore, the provision for warranties of the Group had a significant increase in the current year as compared to last year.

28. Deferred income

	31 December 2014	31 December 2013
Government grants related to assets	<u>175,627,641</u>	<u>149,647,463</u>
Government grants related to income	<u>42,894,000</u>	<u>92,990,000</u>
	<u>218,521,641</u>	<u>242,637,463</u>
Less: Classified as current liabilities	<u>49,528,830</u>	<u>91,849,612</u>
	<u>168,992,811</u>	<u>150,787,851</u>

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

28. Deferred income (continued)

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

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

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

28. Deferred income (continued)

Liabilities relevant to government grants as at 31 December 2013 are listed as follows:

	Opening balance	Increase	Recognised as non-operating income	Other movements	Closing balance	Relevant to asset/income
8 MW golden sun demonstration project	51,430,000	—	—	—	51,430,000	Asset
Maotangao staff dorm building construction project	20,471,300	—	—	—	20,471,300	Asset
Photovoltaic power generation comprehensive test system construction project	7,980,000	—	—	—	7,980,000	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	14,091,667	—	(1,900,000)	—	12,191,667	Asset
High speed train traction drive and brake system project	11,067,000	—	—	—	11,067,000	Income
High speed train network control project	37,631,700	—	—	—	37,631,700	Income
(Power electronics) research for power electronic devices & built for production line	6,800,000	—	(400,000)	—	6,400,000	Asset
High voltage chip packaging and module technology development and industrialization for high speed train application	14,540,000	—	—	(316,000)	14,224,000	Income
3.3KV high voltage IGBT for rail transit application project	—	3,200,000	—	—	3,200,000	Income
(Power electronics) integrated manufacturing technology R&D and industrialization of SiC based power electronic devices	—	30,290,000	—	—	30,290,000	Asset
Electric control system of large maintenance machinery tamping vehicle project	6,800,000	—	—	—	6,800,000	Asset
Basic construction compensation	9,621,408	—	(206,912)	—	9,414,496	Asset
Others	23,542,300	7,995,000	—	—	31,537,300	Asset/Income
	<u>203,975,375</u>	<u>41,485,000</u>	<u>(2,506,912)</u>	<u>(316,000)</u>	<u>242,637,463</u>	

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

29. Long-term payables

Maturity analysis:

	31 December 2014	31 December 2013
Due within 1 to 2 year	17,091,249	—
Due over 2 years	49,353,280	—
	66,444,529	—

30. Share capital

2014

	Opening/Closing balance	
	Carrying amount	Percentage
Registered, issued and paid unrestricted shares:		
State-owned legal person shares	628,147,237	53.44%
Overseas listed foreign shares	547,329,400	46.56%
	1,175,476,637	100.00%

2013

	Opening balance		Increase	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%
	1,084,255,637	100.00%	91,221,000	1,175,476,637	100.00%

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

31. Capital reserve

2014

	Opening balance	Decrease	Closing balance
Share premium	<u>3,354,300,202</u>	<u>(1,800,616)</u>	<u>3,352,499,586</u>

2013

	Opening balance	Increase	Decrease	Closing balance
Share premium	<u>1,693,508,949</u>	<u>1,684,727,555</u>	<u>(23,936,302)</u>	<u>3,354,300,202</u>

32. Other comprehensive income

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

	1 January 2013	Changes	31 December 2013	31 December Changes 2014
Exchange fluctuation reserve	<u>(20,660,520)</u>	<u>(1,335,445)</u>	<u>(21,995,965)</u>	<u>(8,276,717)</u> <u>(30,272,682)</u>

Other comprehensive income attributable to Parent on the statement of profit or loss:

2014

Other comprehensive income to be reclassified to profit or loss

	Before tax	Income tax	After tax
Exchange fluctuation reserve	<u>(8,276,717)</u>	<u>—</u>	<u>(8,276,717)</u>

2013

Other comprehensive income to be reclassified to profit or loss

	Before tax	Income tax	After tax
Exchange fluctuation reserve	<u>(1,335,445)</u>	<u>—</u>	<u>(1,335,445)</u>

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

33. Special reserve

2014

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

2013

	Opening balance	Increase	Decrease	Closing balance
Production safety expenses	<u>—</u>	<u>17,064,525</u>	<u>15,916,374</u>	<u>1,148,151</u>

34. Surplus reserve

2014

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

2013

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

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

35. Retained earnings

	2014	2013
Retained earnings at the end of last year	3,882,348,394	2,952,057,924
Add: A business combination involving an enterprise under common control	—	5,866,554
Retained earnings at the beginning of the year	3,882,348,394	2,957,924,478
Add: Net profit attributable to shareholders of the Parent	2,394,818,236	1,467,020,759
A business combination involving an enterprise under common control	—	(7,548,969)
Less: Appropriation to statutory surplus reserve (Note 1)	234,466,501	155,558,401
Cash dividends paid (Note 2)	411,416,823	379,489,473
Retained earnings at the end of the year	5,631,283,306	3,882,348,394

Note 1: As at 31 December 2014, 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 is attributable to shareholders of the Parent is RMB8,035,076 (31 December 2013: RMB3,856,712).

Note 2: Pursuant to 2013 Annual General Meeting held on 27 June 2014, a final dividend of RMB0.35 was paid on each of the 1,175,476,637 shares in issue in the year 2013, amounting to a total cash dividend of RMB411,416,823. The dividend was paid during the year 2014.

Pursuant to 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 in the year 2012, amounting to a total cash dividend of RMB379,489,473. The dividend was paid during the year 2013.

Pursuant to the board of directors' meeting held on 20 March 2015, a proposed final dividend of RMB0.40 was paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB470,190,655. 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.

36. 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:

	2014	2013
Revenue from principal operations	12,413,649,348	8,732,681,851
Other operating income	262,547,339	123,281,711
	12,676,196,687	8,855,963,562

Cost of sales is stated as follows:

	2014	2013
Cost of sales from principal operations	7,658,177,276	5,621,160,614
Other operating costs	218,228,976	73,387,195
	7,876,406,252	5,694,547,809

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

36. Revenue and cost of sales (continued)

Details of revenue are listed as follows:

	2014	2013
Sale of goods and raw materials	12,384,578,901	8,725,800,551
Maintenance income	229,149,210	103,063,725
Technical service income	44,476,334	3,929,269
Rental income	11,097,935	11,235,640
Others	6,894,307	11,934,377
	<u>12,676,196,687</u>	<u>8,855,963,562</u>

37. Business taxes and surcharges

	2014	2013
City maintenance and construction surtax	58,140,821	43,413,322
Education surtax	40,831,796	30,666,750
Others	814,411	1,201,230
	<u>99,787,028</u>	<u>75,281,302</u>

38. Administrative expenses

Administrative expenses for the year 2014 included auditors' remuneration of RMB4,028,491 (2013: RMB3,380,000).

39. Finance costs

	2014	2013
Interest expenses:		
— Interest on bank loans due for full repayment within 5 years	2,801,762	2,785,260
Interest income	(50,943,413)	(20,655,853)
Exchange losses/(gains)	3,772,223	(13,636,288)
Others	1,356,207	4,019,497
	<u>(43,013,221)</u>	<u>(27,487,384)</u>

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

40. Asset impairment losses

	2014	2013
Bad debt loss	71,053,204	10,554,296
Impairment loss/(reversal of loss) of inventories	55,092,975	(48,922,775)
Impairment loss of goodwill	—	46,517,958
Impairment loss of fixed assets	22,630,475	—
	<u>148,776,654</u>	<u>8,149,479</u>

41. Investment income

	2014	2013
Income from non-listed investments:		
Long-term equity investment income under the equity method	51,661,839	12,578,234
Income from entrusted loans	24,854,795	—
Bank financial product income	45,091,247	—
	<u>121,607,881</u>	<u>12,578,234</u>

42. Non-operating income

	2014	2013
Gain on disposal of non-current assets	739,820	444,998
Refunds of value-added tax	173,186,991	68,055,389
Government grants	82,497,544	16,529,825
Unsettled payment	685,380	1,575,525
Penalty income and default compensation income	3,307,108	2,785,775
Others	11,572,314	863,429
	<u>271,989,157</u>	<u>90,254,941</u>

43. Non-operating expenses

	2014	2013
Loss on disposal of non-current assets	1,507,064	713,310
Loss on penalties and compensation	1,027,938	217,388
Others	348,415	144,020
	<u>2,883,417</u>	<u>1,074,718</u>

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

44. Total profit

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

	2014	2013
Consumption of raw materials and semi-finished products	7,608,438,463	5,207,394,428
Inventory movements of finished goods and work in progress	(730,928,757)	(310,750,637)
Staff costs	1,076,657,884	857,632,035
Depreciation	246,305,340	138,462,059
Amortisation	22,046,276	21,900,548
Provision for product quality warranties	661,470,202	285,542,903
Research and development expense	826,234,647	528,321,938

45. Income tax expense

	2014	2013
Current income tax expense		
— Mainland China	485,809,924	270,889,114
— Other countries and regions	682,844	39,694
	486,492,768	270,928,808
Deferred tax expense	(123,587,388)	(33,573,537)
	362,905,380	237,355,271

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

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

45. Income tax expense (continued)

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

	2014	2013
Total profit	2,754,913,998	1,703,580,158
Income tax expense at statutory tax rate of 25% (Note)	688,728,500	425,895,039
Effect of different income tax rates for overseas entities	769,773	(5,564)
Tax exemption	(277,008,594)	(178,064,276)
Profits and losses attributable to associates and a joint venture	(7,749,276)	(1,886,735)
Income not subject to tax	(242,571)	(556,762)
Income tax benefits on research and development expenditure	(40,454,044)	(26,558,591)
Expenses not deductible for tax	3,845,768	10,225,730
Deductible temporary differences not recognised	8,032,265	6,229,234
Tax losses not recognised	1,543,920	8,383,630
Utilization of tax losses carried forward from previous periods	(1,380,447)	(827,739)
Recognise the un-recognised deductible temporary differences of previous years	(17,302,287)	—
Others	4,122,373	(5,478,695)
Tax expense at the Group's effective tax rate	362,905,380	237,355,271

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.

46. 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:

	2014	2013
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	2,394,818,236	1,467,020,759
Shares		
Weighted average number of ordinary shares in issue of the Company	1,175,476,637	1,101,000,314
Basic earnings per share (Yuan/share)	2.04	1.33
Diluted earnings per share (Yuan/share)	2.04	1.33

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

	2014	2013
Adjustment of net profit to cash flows from operating activities:		
Net profit	2,392,008,618	1,466,224,887
Add: Provision for impairment of assets	148,776,654	8,149,479
Depreciation	246,305,340	138,462,059
Amortisation of intangible assets	22,046,276	21,900,548
Losses from disposal of fixed assets, intangible assets and other long-term assets	767,244	268,312
Provision of special reserve	1,772,844	1,148,151
Finance costs	2,801,762	2,785,260
Investment income	(121,607,881)	(12,578,234)
Increase in deferred tax assets	(121,983,415)	(32,396,272)
Decrease in deferred tax liabilities	(1,009,188)	(901,627)
Increase in inventories	(831,221,173)	(269,108,431)
Increase in operating receivables	(1,186,951,339)	(1,415,345,348)
Increase in operating payables	1,505,000,190	817,376,728
Net cash flows from operating activities	<u>2,056,705,932</u>	<u>725,985,512</u>
Significant investing and financing activities which do not involve cash:		
	2014	2013
Shareholder dividends payable compensated from trade receivables	5,028,224	—
Equipment procurement compensated from operating current account	<u>32,683,009</u>	<u>—</u>
Movement in cash and cash equivalents:		
	2014	2013
Closing balance of cash	2,647,816,044	3,118,401,874
Less: Opening balance of cash	<u>3,118,401,874</u>	<u>2,297,286,786</u>
Net change of cash and cash equivalents	<u>(470,585,830)</u>	<u>821,115,088</u>

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

47. Supplementary information to the statement of cash flows (continued)

(2) Cash and cash equivalents

	31 December 2014	31 December 2013
Cash		
Including: Cash on hand	44,547	18,163
Bank deposits on demand	1,922,009,968	3,088,474,470
Deposits due within 3 months	719,319,059	18,136,535
Security deposit due within 3 months	6,442,470	11,772,706
Closing balance of cash and cash equivalents	<u>2,647,816,044</u>	<u>3,118,401,874</u>

48. Assets with restrictions on title

		31 December 2014	31 December 2013
Pledged assets			
Cash and bank balance	Note 1	38,493,751	29,461,518
Bills receivable	Note 2	—	1,000,000
Fixed assets	Note 3	29,096,352	34,861,796
Intangible assets	Note 4	16,779,524	17,768,386
		<u>84,369,627</u>	<u>83,091,700</u>

Note 1: As at 31 December 2014, the cash and bank balances of RMB21,953,359 (31 December 2013: RMB21,535,606) is used as security deposits by the Group for acceptance bills from bank. The cash and bank balances of RMB16,540,392 (31 December 2013: RMB7,925,912) is used as security deposits by the Group for letters of guarantee from bank.

Note 2: As at 31 December 2013, the title of bills receivable with a carrying amount of RMB1,000,000 was pledged to secure general banking facilities granted to the Group.

Note 3: As at 31 December 2014, the title of fixed assets with a net carrying amount of RMB29,096,352 (31 December 2013: RMB34,861,796) was pledged to secure general banking facilities granted to the Group.

Note 4: As at 31 December 2014, the title of land use right with a net carrying amount of RMB16,779,524 (31 December 2013: RMB 17,768,386) was pledged to secure general banking facilities granted to the Group.

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VI. Changes in scope of consolidation

Following subsidiaries are newly built up during current period:

		Proportion of shareholding
Qingdao Electric	Note 1	45%
Shanghai CSR Railway Transportation Technology Co., Ltd. ("Shanghai CSR Railway")	Note 2	51%

Note 1: In May 2014, Qingdao Electric was jointly established by the Company, CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd. and Qingdao Hongda Schnell Science & Technology Co., Ltd.. The registered capital of Qingdao Electric is RMB100,000,000. The Company, CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd. and Qingdao Hongda Schnell Science & Technology Co., Ltd. respectively injected the capital of RMB22,500,000, RMB19,000,000 and RMB8,500,000 and the equity interests held are 45%, 38% and 17% respectively. After the initial investment, the paid-up capital of Qingdao Electric is RMB50,000,000.

Even though the Company owns Qingdao Electric 45% equity interest, the Company has recognised it as subsidiary based on the factors illustrated in Note III. 25.

Note 2: In May 2014, Shanghai CSR Railway was jointly established by the Company and Shanghai Railway Bureau. The registered capital of Shanghai CSR Railway is RMB50,000,000. The Company and Shanghai Railway Bureau injected the capital of RMB25,500,000 and RMB24,500,000 respectively and the equity interests held are 51% and 49% respectively.

The scope of consolidation of financial statements is the same as previous year except the newly built subsidiaries during current year.

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VII. Interests in other entities

1. Interests in subsidiaries

Particulars of subsidiaries of the Company are as follows:

Names of companies	Place of registration/ Principal place of business	Registered capital	Nature of business	Proportion of shareholding		Proportion of votes	Note
				Direct	Indirect		
<u>By newly established or invested</u>							
Ningbo Times	Ningbo Zhejiang	RMB148,826,200	Manufacture industry	100%	—	100%	
Times Electronics	Zhuzhou Hunan	RMB80,000,000	Manufacture industry	100%	—	100%	
Times Equipment	Zhuzhou Hunan	RMB101,000,000	Manufacture industry	100%	—	100%	Note 1
Beijing CSR Times Information Technology Co., Ltd. ("Times Information")	Beijing	RMB29,000,000	Manufacture industry	100%	—	100%	
Shenyang CSR Times Transportation Equipment Co., Ltd. ("Shenyang Times")	Shenyang Liaoning	RMB56,000,000	Manufacture industry	100%	—	100%	Note 2
Baoji Times	Baoji Shaanxi	RMB281,655,300	Manufacture industry	85.8%	—	85.8%	Note 3
Kunming Electric	Kunming Yunnan	RMB3,000,000	Manufacture industry	100%	—	100%	
Hangzhou CSR Electric Equipment Co., Ltd. ("Hangzhou Electric")	Hangzhou Zhejiang	RMB75,000,000	Manufacture industry	60%	—	60%	
Guangzhou CSR Times Electric Technology Co., Ltd. ("Guangzhou Times")	Guangzhou Guangdong	RMB30,000,000	Manufacture industry	60%	—	60%	
CSR Times Electric (Hong Kong) Co., Ltd. ("HK Electric")	Hong Kong	HKD10,000,000	Trading	100%	—	100%	
Ningbo CSR Electrical Equipment Co., Ltd. ("Ningbo Electric")	Ningbo Zhejiang	RMB10,000,000	Manufacture industry	100%	—	100%	
Qingdao Electric	Qingdao Shandong	RMB100,000,000	Manufacture industry	45%	—	45%	Note 4
Shanghai CSR Railway	Shanghai	RMB50,000,000	Manufacture industry	51%	—	51%	Note 5
CSR Times Electric Australia Pty. Ltd. ("Times Australia")	Australia	AUD290,000	Trading	100%	—	100%	
Times Electric USA, LLC ("Times USA")	USA	USD430,000	Trading	100%	—	100%	
CSR Times Electric Brasil Ltda. ("Times Brasil")	Brasil	USD741,820	Trading	99%	1%	100%	Note 6
<u>By business combination under uncommon control</u>							
Dynex Power Inc. ("Dynex")	Canada	CAD37,096,192	Investment holding	75%	—	75%	
Dynex Semiconductor Limited ("Dynex Semiconductor")	United Kingdom	GBP15,000,000	Manufacture industry	—	75%	75%	

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VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

- Note 1: In 2014, the Company injected the capital of RMB65,000,000 to Times Equipment. After the injection, Times Equipment increased the registered capital to RMB101,000,000.
- Note 2: In 2014, the Company injected the capital of RMB53,000,000 to Shenyang Times. After the injection, Shenyang Times increased the registered capital to RMB56,000,000.
- Note 3: In 2014, the Company injected the capital of RMB100,000,000 to Baoji Times. After the injection, Baoji Times increased the registered capital and paid-in capital to RMB281,655,300.
- Note 4: In May 2014, Qingdao Electric was jointly established by the Company, CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd. and Qingdao Hongda Schnell Science & Technology Co., Ltd. The registered capital of Qingdao Electric is RMB50,000,000. The Company injected the capital of RMB22,500,000, representing 45% shareholding to Qingdao Electric.
- Note 5: In May 2014, Shanghai CSR Railway was jointly established by the Company and Shanghai Railway Bureau. The Company injected the capital of RMB25,500,000, representing 51% shareholding to Shanghai CSR Railway.
- Note 6: In May 2014, HK Electric purchased 1% shares of the equity of Times Brasil. Therefore, Times Brasil is a wholly owned subsidiary of the Company.

Subsidiaries with significant non-controlling interests are as follows:

2014

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

2013

	Proportion of non-controlling interests	Profits attributable to non-controlling interests	Dividends paid to non-controlling shareholders	Accumulated non-controlling interests
Baoji Times	20%	2,896,532	—	44,833,317

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VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

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

	Baoji Times
31 December 2014	
Current assets	944,471,400
Non-current assets	175,443,271
Total assets	<u>1,119,914,671</u>
Current liabilities	781,701,218
Non-current liabilities	—
Total liabilities	<u>781,701,218</u>
2014	
Revenue	783,213,883
Net profit	24,530,417
Total comprehensive income	<u>24,530,417</u>
Net cash flows from operating activities	<u>248,353,080</u>
	Baoji Times
31 December 2013	
Current assets	738,352,683
Non-current assets	186,649,798
Total assets	<u>925,002,481</u>
Current liabilities	700,835,897
Non-current liabilities	—
Total liabilities	<u>700,835,897</u>
2013	
Revenue	678,859,524
Net profit	14,482,660
Total comprehensive income	<u>14,482,660</u>
Net cash used in operating activities	<u>(35,920,611)</u>

VII. Interests in other entities (continued)

2. Transactions changed equity proportions of shareholders in subsidiaries without affecting controlling rights

In August 2014, the Company injected the capital of RMB100,000,000 to Baoji Times. After the injection, the company increased the proportion of shareholding to Baoji Times from 80% to 85.8%. RMB81,655,300 increases the paid-up capital of Baoji Times, and the remaining RMB18,344,700 is accounted for as the capital reserve of Baoji Times. This transaction leads to a RMB1,192,555 decrease in capital reserve and increase in non-controlling interests in the consolidated financial statements.

In May 2014, HK Electric purchased 1% shares of the equity of Times Brasil, with consideration of RMB43,259. This transaction leads to a RMB13,534 decrease in capital reserve and a RMB29,725 decrease in non-controlling interests in the consolidated financial statements.

3. Interests in a joint venture and associates

	Place of registration/Principal place of business	Nature of business	Registered capital	Proportion of shareholding		Accounting method
				Direct	Indirect	
A joint venture						
Shiling	Zhuzhou Hunan	Manufacture industry	USD14,000,000	50%	—	Equity
Associates						
Zhuzhou Siemens	Zhuzhou Hunan	Manufacture industry	RMB128,989,000	30%	—	Equity
Xiwu	Changsha Hunan	Manufacture industry	RMB32,500,000	50%	—	Equity

Zhuzhou Shiling Transportation Equipment Co., Ltd. as an important joint venture of the Group, is one of the suppliers of the fitting equipment products of CRH of the Group.

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

	31 December 2014	31 December 2013
Current assets	580,303,813	440,681,727
Including: Cash and bank balances	129,187,391	175,798,349
Non-current assets	52,664,828	53,767,568
Total assets	632,968,641	494,449,295
Current liabilities	196,607,422	140,892,272
Non-current liabilities	—	—
Total liabilities	196,607,422	140,892,272
Net assets	436,361,219	353,557,023
Net assets portion based on shareholding	218,180,610	176,232,966
Less: Unrealized profit of downstream trading	36,604,782	—
Carrying amount of investment	180,186,598	176,232,966

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VII. Interests in other entities (continued)

3. Interests in a joint venture and associates (continued)

	2014	2013
Revenue	1,225,040,538	533,531,497
Income tax expense	35,166,918	10,533,995
Net profit	104,804,196	31,601,985
Total comprehensive income	104,804,196	31,601,985
Dividends received	11,000,000	9,000,000

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

	2014	2013
Total carrying amount of investment	56,823,907	56,720,482
Total amounts based on shareholding		
Net profit/(losses)	103,425	(3,604,620)
Total comprehensive income/(losses)	103,425	(3,604,620)

VIII. Risks related to financial instruments

1. Classification of financial instruments

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

31 December 2014

Financial assets

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

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VIII. Risks related to financial instruments (continued)

1. Classification of financial instruments (continued)

Financial liabilities

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

31 December 2013

Financial assets

	Loans and receivables	Available-for-sale financial assets	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	2,693,866,426	—	2,693,866,426
Other receivables	58,087,799	—	58,087,799
Current portion of non-current assets	609,036	—	609,036
Other current assets	1,100,000,000	—	1,100,000,000
Available-for-sale financial assets	—	900,000	900,000
Long-term receivables	31,660,131	—	31,660,131
	9,233,942,909	900,000	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 current portion of non-current liabilities)	64,369,663
	2,974,760,022

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VIII. Risks related to financial instruments (continued)

2. Transfer of financial assets

Transferred financial assets that are not derecognized in their entirety

As at 31 December 2014, the Group endorsed commercial acceptance bills (the "Endorsed Bills") with a carrying amount of RMB1,000,000 (31 December 2013: RMB1,000,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognize the full carrying amounts of the settled accounts payable. After the endorsement, the Group does not retain any right on the use of the Endorsed Bills, including the sale-transfer or pledge to any other third party.

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

As at 31 December 2014, the Group endorsed bank acceptance bills (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount of RMB398,971,234 (31 December 2013: RMB388,438,646). The Derecognised Bills had a maturity of one to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognized the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

In 2014, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

3. Financial instruments and their risks

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

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

Credit risk

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

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

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

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 2014, the Group had certain concentrations of credit risk as 9.8% (31 December 2013: 11.4%) and 33.0% (31 December 2013: 28.6%) of the Group's trade receivables (including long-term trade receivables) were due from the Group's largest customer and the five largest customers, respectively.

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

31 December 2014

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

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	—	—
Current portion of non-current asset	609,036	609,036	—	—
Other current assets	1,100,000,000	1,100,000,000	—	—
Available-for-sale financial asset	900,000	900,000	—	—
Long-term receivables	29,441,984	29,441,984	—	—
	5,720,877,195	5,720,877,195	—	—

As at 31 December 2014 and 31 December 2013, the trade receivables not overdue without impairment were related to several recent customers without default records.

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VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Liquidity risk

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

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

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

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

31 December 2014

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

31 December 2013

	Within 1 year	1-2 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 current portion of non-current liabilities)	14,136,737	13,528,477	41,392,081	69,057,295
	2,924,527,096	13,528,477	41,392,081	2,979,447,654

VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Market risk

Foreign currency risk

The businesses of the Group are principally conducted in Mainland China. While most of the transactions of the Group are principally conducted in RMB, certain of its sales, purchases and borrowings are denominated in other currencies including mainly the 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 following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of JPY, US dollar, and GBP, 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.

2014

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in total profit	Increase/(decrease) in shareholders' equity*
Japanese yen			
If RMB strengthens against Japanese yen	+10%	15,746,267	—
If RMB weakens against Japanese yen	-10%	(15,746,267)	—
United States dollar			
If RMB strengthens against United States dollar	+10%	(9,439,717)	—
If RMB weakens against United States dollar	-10%	9,439,717	—
Great British pound			
If RMB strengthens against Great British pound	+10%	11,979,592	—
If RMB weakens against Great British pound	-10%	(11,979,592)	—

* excluding retained earnings.

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VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Market risk (continued)

Foreign currency risk (continued)

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.

4. Capital management

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

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is no subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 31 December 2013.

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VIII. Risks related to financial instruments (continued)

4. Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio below 20%. Net debt includes interest-bearing bank and other borrowings, bills payable, trade payables, advances from customers, employee benefits payable, other taxes payable excluding income tax payable, other payables and long-term payables, less cash and cash equivalents. Capital includes equity attributable to shareholders of the Parent. The gearing ratios as at balance sheet date were as follows:

	31 December 2014	31 December 2013
Short-term borrowings	4,385,940	31,172,421
Bills payable	1,569,649,099	928,918,770
Trade payables	1,861,391,032	1,749,671,703
Advances from customers	588,010,023	388,087,463
Employee benefits payable	52,112,041	88,860,161
Taxes payable (excluding income tax payable)	55,722,507	39,691,379
Other payables	373,833,468	200,627,465
Long-term borrowings (inclusive of current portion of non-current liabilities)	48,807,793	64,369,663
Long-term payables	66,444,529	—
Less: Cash and cash equivalents	2,647,816,044	3,118,401,874
Net debt	1,972,540,388	372,997,151
Equity attributable to the shareholders of the Parent	10,990,995,686	9,015,898,762
Capital and net debt	12,963,536,074	9,388,895,913
Gearing ratio	15.22%	3.97%

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IX. Fair value

1. Assets and liabilities measured at fair value

31 December 2014

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

31 December 2013

	Inputs used in financial instruments measured at fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Available-for-sale financial asset	—	900,000	—	900,000
Long-term receivables	—	31,660,131	—	31,660,131
Long-term borrowings	—	52,179,757	—	52,179,757

IX. Fair value (continued)

2. Fair value evaluation

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

	Carrying amount		Fair value	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Financial assets				
Available-for-sale financial asset	900,000	900,000	900,000	900,000
Long-term receivables	<u>22,082,991</u>	<u>31,660,131</u>	<u>22,082,991</u>	<u>31,660,131</u>
Financial liabilities				
Long-term borrowings	37,492,529	52,179,757	37,492,529	52,179,757
Long-term payables	<u>66,444,529</u>	<u>—</u>	<u>66,444,529</u>	<u>—</u>

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

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

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

The fair values of long-term receivables, long-term borrowings, long-term payables, etc. have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2014 was assessed to be insignificant.

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X. Related party relationships and transactions

1. Parent company

Name of the parent company	Place of registration	Nature of business	Registered capital	Proportion of shareholding	Proportion of votes
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	Manufacture Industry	4,184,500,000	50.29%	50.29%

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 2014, CSR Corporation Limited made the capital contribution amounting to RMB151,600,000 to CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.. After completion of the capital contribution, the registered capital and paid-in capital of CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. increased to RMB4,184,500,000.

2. Subsidiaries

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

Investments in subsidiaries

	31 December 2014	31 December 2013
Non-listed shares, at cost	890,208,262	624,208,262
Shares listed in Canada, at cost	216,539,728	216,539,728
	1,106,747,990	840,747,990
Impairment	(49,699,261)	(49,699,261)
	1,057,048,729	791,048,729
Market value of listed shares	27,036,101	96,663,674

The amounts of receivables from and payables to subsidiaries in the current assets and current liabilities of the Company are RMB833,114,621 (31 December 2013: RMB837,679,886) and RMB411,542,370 (31 December 2013: RMB318,309,754), respectively. The amounts of the Company's receivables from and payables to subsidiaries are non-interest-bearing and unsecured. Of these amounts, the repayment period of the trading amounts is determined by the provisions of the trading terms, whereas non-trading amounts are not subject to any fixed repayment period.

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X. Related party relationships and transactions (continued)

4. Other related parties (continued)

Name of the companies

CSR Yangtze Tongling Rolling Stock Co., Ltd.
Nanjing Puzhen Haitai Brake Equipment 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.
CSR Changzhou Tech-mark Industrial Co., Ltd.
CSR Yuchai Sichuan Engine Stock Co., Ltd.
CSR Finance Co., Ltd.
South Huitong Co., Ltd.
Meishan CSR Fastener Science & Technology 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.
CSR Electric Technology and Materials Engineering Research Institute
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.
Shiling
Zhuzhou Siemens
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
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Corporation controlled by the ultimate holding party
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Corporation controlled by the ultimate holding party
Corporation controlled by the ultimate holding party
Corporation controlled by the ultimate holding party
Corporation controlled by the ultimate holding party
A Joint venture of the ultimate holding party
A Joint venture of the ultimate holding party
Corporation controlled by the parent company
Corporation controlled by the parent company
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Corporation controlled by the parent company
Corporation controlled by the parent company
Corporation controlled by the parent company
Associate of the parent company
A Joint venture of the parent company
A Joint venture of the Company
Associate of the Company
Associate of the Company

X. Related party relationships and transactions (continued)**5. Major transactions between the Group and its related parties****(1) Sales of goods to related parties**

	2014	2013
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	3,412,362,327	1,613,921,033
CSR Zhuzhou Electric Locomotive Co., Ltd.	2,938,093,449	2,047,240,725
Shiling	874,382,550	304,997,461
CSR Sifang Rolling Stock Co., Ltd.	310,779,492	293,436,303
CSR Qishuyan Locomotive Co., Ltd.	244,992,788	105,692,741
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	183,427,052	149,150,298
Nanjing CSR Puzhen Rapid Transit Vehicles Co., Ltd.	122,828,203	5,805,706
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	115,178,272	142,918,836
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	69,292,802	68,465,042
CSR Guangdong Rolling Stock Co., Ltd.	42,332,991	16,575,812
Hunan CSR Times Electric Vehicle Co., Ltd.	38,611,962	28,391,283
CSR Zhuzhou Electric Co., Ltd.	20,633,760	5,282,845
Shijiazhuang King Transportation Equipment Co., Ltd.	19,305,085	9,974,196
Qingdao CSR Sifang Sales Co., Ltd.	19,090,495	13,995,535
Zhuzhou Electromechanical Technology Co., Ltd.	16,502,913	40,832,696
Xiangyang CSR Electric Machinery Co., Ltd.	15,722,274	12,840,897
Beijing North Gofront Science Business Co., Ltd.	11,375,142	9,755,203
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	9,170,658	7,358,530
CSR Yangtze Co., Ltd.	8,930,615	20,513
Shanghai CSR Hange Shipping Engineering Co., Ltd.	8,396,216	2,882,697
CSR Luoyang Locomotive Co., Ltd.	2,065,592	2,094,725
Guangzhou Electrical Locomotive Co., Ltd.	1,711,709	1,101,159
CSR Ziyang Locomotive Co., Ltd.	1,011,027	22,509,860
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	752,137	633,333
Nanjing Puzhen Haitai Brake Equipment Co., Ltd.	377,359	—
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	300,486	579,386
Ziyang CSR Electric Locomotive Co., Ltd.	219,070	184,128
Bombardier Sifang (Qingdao) Transportation Ltd.	25,846	—

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X. Related party relationships and transactions (continued)

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

(1) Sales of goods to related parties (continued)

	2014	2013
Guangzhou Rapid Transit Vehicles Equipment Co., Ltd.	24,520	—
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	8,500	—
CSR Shijiazhuang Rolling Stock Co., Ltd.	—	72,637,265
Changzhou Ruitai Engineering Machinery Co., Ltd.	—	32,717,949
Zhuzhou Times New Material Technology Co., Ltd.	—	10,051,282
CSR Hangzhou Rail Transit Co., Ltd.	—	6,497,624
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
Kunming CSR Urban Rail Vehicle Co., Ltd.	—	1,270
	8,487,905,292	5,039,994,376

(2) Purchases of goods from related parties

	2014	2013
Shiling	1,327,413,890	533,479,341
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	489,694,527	452,074,668
CSR Zhuzhou Electric Co., Ltd.	250,086,945	126,618,835
Zhuzhou Electromechanical Technology Co., Ltd.	156,986,328	85,902,159
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	132,146,742	90,236,428
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	110,548,209	79,028,096
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	69,471,698	49,092,381
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	13,124,504	33,522,619
CSR Yangtze Co., Ltd.	12,080,106	—
CSR Luoyang Locomotive Co., Ltd.	12,024,444	3,835,863
Zhuzhou Times New Material Technology Co., Ltd.	6,939,711	15,176,760
Changzhou Ruitai Engineering Machinery Co., Ltd.	6,744,957	39,806,496
Changzhou Ruiyang Transmission Technology Co., Ltd.	4,768,376	30,030,726
CSR Zhuzhou Electric Locomotive Works	4,621,909	—
Zhuzhou Gofront Braking Equipment Co., Ltd.	2,351,262	2,784,282
CSR Sifang Rolling Stock Co., Ltd.	820,513	38,462
CSR Qishuyan Locomotive Co., Ltd.	756,269	62,621,142
CSR Zhuzhou Electric Locomotive Co., Ltd.	672,622	23,930,487
CSR Changzhou Tech-mark Industrial Co., Ltd.	618,803	—
Hunan CSR Times Electric Vehicle Co., Ltd.	470,762	1,942,396
Xiangyang CSR Electric Machinery Co., Ltd.	371,054	81,453

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X. Related party relationships and transactions (continued)

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

(2) Purchases of goods from related parties (continued)

	2014	2013
Sichuan Brake Technology Co., Ltd.	317,778	247,350
CSR Yangtze Tongling Rolling Stock Co., Ltd.	290,598	769,231
Meishan CSR Fasterner Science & Technology Co., Ltd.	179,085	—
Shijiazhuang King Transportation Equipment Co., Ltd.	85,470	495,727
Zhuzhou Times Electric Insulation Co., Ltd.	41,251	103,489
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	22,681	390,662
CSR Ziyang Transmission Co., Ltd.	14,103	415,299
CSR Ziyang Locomotive Co., Ltd.	11,280	—
Xiwu	—	7,953,682
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	—	198,993
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	—	50,814
	2,603,675,877	1,640,827,841

(3) Sales of electricity to related parties

	2014	2013
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	391,221	678,958
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	309,017	686,570
Zhuzhou Siemens	195,474	517,273
CSR Electric Technology and Materials Engineering Research Institute	115,113	—
	1,010,825	1,882,801

(4) Purchases of electricity from related parties

	2014	2013
CSR Zhuzhou Electric Locomotive Co., Ltd.	320,118	73,933

(5) Sales of fixed assets to related parties

	2014	2013
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	—	14,925

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X. Related party relationships and transactions (continued)

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

(6) Purchases of fixed assets from related parties

	2014	2013
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	20,629,269	259,369
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	9,937	15,405
Zhuzhou Electromechanical Technology Co., Ltd.	—	2,682,168
	<u>20,639,206</u>	<u>2,956,942</u>

(7) Purchases of intangible assets from related parties

	2014	2013
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	—	247,500
	<u>—</u>	<u>247,500</u>

(8) Provide entrusted loans to related parties

	2014	2013
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	—	500,000,000
	<u>—</u>	<u>500,000,000</u>

(9) Related party leases

As lessor

	2014	2013
Zhuzhou Siemens	3,710,426	4,960,857
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	3,253,943	2,841,315
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	—	525,280
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	—	8,086
	<u>6,964,369</u>	<u>8,335,538</u>

As lessee

	2014	2013
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (Note)	63,404,348	644,336
Zhuzhou Electric Vehicle Co., Ltd.	1,817,580	475,677
CSR Zhuzhou Electric Locomotive Works	8,900	487,563
	<u>65,230,828</u>	<u>1,607,576</u>

Note: As at 25 September 2014, the Company entered into an agreement with CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. to lease all the real estate, property and related facilities and equipment related to the production of high-power IGBT line. According to the lease agreement the rent (including tax) was RMB17,404,625 per month. Lease term starts from 1 September 2014 and lasts for 3 years.

X. Related party relationships and transactions (continued)**5. Major transactions between the Group and its related parties** (continued)**(10) Technical service income from related parties**

	2014	2013
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	3,487,179	10,149,380
Zhuzhou Times New Material Technology Co., Ltd.	1,985,893	1,017,161
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	1,887,823	3,800,498
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	596,387	1,603,605
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	551,781	1,090,309
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	292,983	—
CSR Zhuzhou Electric Co., Ltd.	126,415	227,411
Xiangyang CSR Electric Machinery Co., Ltd.	123,651	160,849
CSR Zhuzhou Electric Locomotive Co., Ltd.	88,679	—
Hunan CSR Times Electric Vehicle Co., Ltd.	62,264	376,409
Nanjing Puzhen Haitai Brake Equipment Co., Ltd.	28,019	188,679
Shijiazhuang King Transportation Equipment Co., Ltd.	15,094	107,000
Xiangyang China Railway Hongji Engineering Co., Ltd.	9,019	7,873
Zhuzhou Electromechanical Technology Co., Ltd.	4,906	207,000
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	—	357,789
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	—	188,679
Zhuzhou CSR Times Hi-tech Investment & Trusting Co., Ltd.	—	51,972
	9,260,093	19,534,614

(11) Maintenance services provided to related parties

	2014	2013
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	102,182,585	84,517,242
Guangzhou Electrical Locomotive Co., Ltd.	24,034,188	8,547,009
CSR Luoyang Locomotive Co., Ltd.	22,350,256	7,692,308
Zhuzhou Electromechanical Technology Co., Ltd.	15,859,127	—
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	4,567,094	—
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	3,376,168	—
Beijing North Gofront Science Business Co., Ltd.	1,662,564	—
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	317,949	—
	174,349,931	100,756,559

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X. Related party relationships and transactions (continued)

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

(12) Technical service fees paid to related parties

	2014	2013
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	116,195,502	88,772,640
Zhuzhou Electromechanical Technology Co., Ltd.	16,018,462	3,878,718
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	1,415,094	—
Zhuzhou Times New Material Technology Co., Ltd.	35,849	—
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	32,547	352,371
CSR Zhuzhou Electric Locomotive Co., Ltd.	—	10,000,000
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	—	186,792
Shiling	—	112,610
	133,697,454	103,303,131

(13) Remuneration of key management

	2014	2013
Remuneration of key management	10,917,598	9,563,969

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.

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

Sales of goods to related parties

	2015
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	2,009,548,679
Shiling	454,018,637
CSR Zhuzhou Electric Locomotive Co., Ltd.	274,841,786
Nanjing CSR Puzhen Rapid Transit Vehicles Co., Ltd.	41,692,128
	<u>2,780,101,230</u>

Purchases of goods from related parties

	2015
Shiling	674,555,303
CSR Zhuzhou Electric Co., Ltd.	237,448,305
Zhuzhou Electromechanical Technology Co., Ltd.	133,374,817
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	79,000,069
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	38,162,482
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	13,033,771
	<u>1,175,574,747</u>

Operating lease commitments to related parties

	2015
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	<u>188,303,751</u>

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X. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties

Trade receivables (including long-term receivables):

	31 December 2014	31 December 2013
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	278,202,177	310,865,702
CSR Zhuzhou Electric Locomotive Co., Ltd.	235,334,005	123,357,520
CSR Qishuyan Locomotive Co., Ltd.	187,137,679	26,316,177
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	112,512,294	124,684,775
Shiling	61,716,239	7,276,258
CSR Guangdong Rolling Stock Co., Ltd.	51,468,970	19,393,700
Nanjing CSR Puzhen Rapid Transit Vehicles Co., Ltd.	47,411,174	52,300
Guangzhou Electrical Locomotive Co., Ltd.	29,691,100	17,390,623
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	28,152,198	81,589,680
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	27,844,865	57,991,221
Qingdao CSR Sifang Sales Co., Ltd.	25,874,802	1,224,500
Hunan CSR Times Electric Vehicle Co., Ltd.	21,552,648	11,538,169
CSR Sifang Rolling Stock Co., Ltd.	19,727,884	29,289,558
Zhuzhou Electromechanical Technology Co., Ltd.	17,371,856	—
Shijiazhuang King Transportation Equipment Co., Ltd.	12,481,316	6,472,675
CSR Ziyang Locomotive Co., Ltd.	9,781,500	17,820,398
CSR Yangtze Co., Ltd.	9,320,433	—
CSR Luoyang Locomotive Co., Ltd.	8,164,287	7,404,188
Shanghai CSR Hange Shipping Engineering Co., Ltd.	6,988,817	1,790,673
CSR Shijiazhuang Rolling Stock Co., Ltd.	4,136,011	4,622,600
Zhuzhou Times New Material Technology Co., Ltd.	2,085,447	1,061,655
CSR Zhuzhou Electric Co., Ltd.	761,656	6,209,386
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	695,034	1,659,000
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	686,898	11,255,935
Ningbo CSR Urban Rail Transit Equipment Co., Ltd.	450,500	4,770,000
CSR Hangzhou Rail Transit Co., Ltd.	364,650	2,362,970
Xiangyang CSR Electric Machinery Co., Ltd.	180,000	9,358,954
CSR Group	150,000	—
Guangzhou Rapid Transit Vehicles Equipment Co., Ltd.	28,688	288,950
Xiangyang China Railway Hongji Engineering Co., Ltd.	9,560	8,345
Ziyang CSR Electric Locomotive Co., Ltd.	6,000	82,800
Bombardier Sifang (Qingdao) Transportation Ltd.	1,512	—
Xiwu	—	3,986,700
Beijing North Gofront Science Business Co., Ltd.	—	594,076
Zhuzhou CSR Times Hi-tech Investment & Trusting Co., Ltd.	—	55,090
	1,200,290,200	890,774,578

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X. Related party relationships and transactions (continued)

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

	31 December 2014	31 December 2013
Bills receivable:		
CSR Zhuzhou Electric Locomotive Co., Ltd.	1,070,000,000	812,536,231
CSR Sifang Rolling Stock Co., Ltd.	264,000,000	226,000,000
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	255,000,000	203,400,000
Ziyang CSR Electric Locomotive Co., Ltd.	162,200,000	—
CSR Luoyang Locomotive Co., Ltd.	118,700,000	3,900,000
CSR Ziyang Locomotive Co., Ltd.	78,900,000	20,500,000
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	62,671,768	30,382,962
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	60,150,000	30,000,000
Guangzhou Electrical Locomotive Co., Ltd.	60,000,000	—
CSR Qishuyan Locomotive Co., Ltd.	51,500,000	1,000,000
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	42,000,000	27,600,000
Hunan CSR Times Electric Vehicle Co., Ltd.	21,889,148	780,000
Shijiazhuang King Transportation Equipment Co., Ltd.	5,000,000	—
Nanjing CSR Puzhen Rapid Transit Vehicles Co., Ltd.	2,000,000	—
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	1,974,140	—
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	200,000	800,000
South Huitong Co., Ltd.	186,623	—
CSR Yuchai Sichuan Engine Stock Co., Ltd.	150,000	—
Zhuzhou Times New Material Technology Co., Ltd.	100,000	—
CSR Hangzhou Rail Transit Co., Ltd.	—	2,632,000
CSR Yangtze Co., Ltd.	—	100,000
CSR Zhuzhou Electric Co., Ltd.	—	70,000
Zhuzhou Electromechanical Technology Co., Ltd.	—	31,000
	2,256,621,679	1,359,732,193

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X. Related party relationships and transactions (continued)

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

	31 December 2014	31 December 2013
Prepayments:		
Xiwu	20,000,000	—
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	866,250	866,250
CSR Zhuzhou Electric Co., Ltd.	462,000	—
Meishan CSR Fastener Science & Technology Co., Ltd.	186,910	—
Shijiazhuang King Transportation Equipment Co., Ltd.	100,000	—
CSR Zhuzhou Electric Locomotive Co., Ltd.	59,439	157,776
CSR Corporation Limited	40,000	40,000
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	25,820	—
CSR Qishuyan Locomotive Co., Ltd.	12,000	12,000
CSR Yangtze Co., Ltd.	—	860,907
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	—	166,398
	21,752,419	2,103,331
Other receivables:		
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	224,734	1,633,918
Hunan CSR Times Electric Vehicle Co., Ltd.	50,000	—
Xiangyang CSR Electric Machinery Co., Ltd.	50,000	—
Zhuzhou Siemens	—	40,239
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	—	20,000
	324,734	1,694,157
Other non-current assets:		
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	—	500,000,000
Cash and bank deposit:		
CSR Finance Co., Ltd. (Note)	144,985,190	—

Note: As at 31 December 2014, the Company's current deposit with CSR Finance Co., Ltd. is amounted to RMB114,985,190. Pursuant to Financial Services Framework Agreement, the maximum daily deposit balance with CSR Finance Co., Ltd. is no more than RMB350,000,000. The interest rate is no less than the interest rate payable by the principal commercial banks in the PRC for comparable deposits and by CSR Finance Co., Ltd. to other members of the CSR Group for comparable deposits.

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X. Related party relationships and transactions (continued)

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

	31 December 2014	31 December 2013
Trade payables:		
Shiling	139,594,684	81,603,862
CSR Zhuzhou Electric Co., Ltd.	93,809,976	85,141,692
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	30,752,476	13,041,384
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	23,135,370	16,471,893
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	16,574,200	166,974
Changzhou Ruiyang Transmission Technology Co., Ltd.	8,077,503	5,772,948
CSR Yangtze Co., Ltd.	6,972,817	—
Zhuzhou Electromechanical Technology Co., Ltd.	6,450,210	4,059,999
Changzhou Ruitai Engineering Machinery Co., Ltd.	5,266,360	3,897,460
CSR Qishuyan Locomotive Co., Ltd.	2,468,743	2,418,798
CSR Zhuzhou Electric Locomotive Co., Ltd.	1,870,422	2,504,153
Zhuzhou Gofront Braking Equipment Co., Ltd.	1,489,686	900,098
Zhuzhou Times New Material Technology Co., Ltd.	1,464,288	1,786,406
CSR Sifang Rolling Stock Co., Ltd.	799,231	769,231
CSR Changzhou Tech-mark Industrial Co. Ltd.	549,009	—
CSR Yangtze Tongling Rolling Stock Co., Ltd.	300,000	450,000
CSR Ziyang Transmission Co., Ltd.	216,500	386,322
Shijiazhuang King Transportation Equipment Co., Ltd.	139,188	39,188
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	134,889	7,365,085
Sichuan Brake Technology Co., Ltd.	101,345	109,927
CSR Luoyang Locomotive Co., Ltd.	42,703	762,130
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	17,208	17,208
Hunan CSR Times Electric Vehicle Co., Ltd.	3,150	956,676
Zhuzhou Times Electric Insulation Co., Ltd.	3,065	3,065
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	2,232	5,110
Xiwu	—	1,133,226
Xiangyang CSR Electric Machinery Co., Ltd.	—	871,550
Beijing CSR Electric Sales Co., Ltd.	—	484,000
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	—	15,107
	340,235,255	231,133,492

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X. Related party relationships and transactions (continued)

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

	31 December 2014	31 December 2013
Bills payable:		
Shiling	150,000,000	75,000,000
CSR Zhuzhou Electric Co., Ltd.	53,050,000	—
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	42,170,000	558,861
Zhuzhou Electromechanical Technology Co., Ltd.	36,852,220	4,000,000
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	10,000,000	7,000,000
Changzhou Ruitai Engineering Machinery Co., Ltd.	5,200,000	—
Zhuzhou Times New Material Technology Co., Ltd.	3,800,000	340,327
Zhuzhou Times Electric Insulation Co., Ltd.	2,950,000	1,200,000
CSR Luoyang Locomotive Co., Ltd.	1,200,000	750,000
Zhuzhou Gofront Braking Equipment Co., Ltd.	1,050,000	500,000
Sichuan Brake Technology Co., Ltd.	210,000	150,000
CSR Changzhou Tech-mark Industrial Co., Ltd.	150,000	—
CSR Yangtze Tongling Rolling Stock Co., Ltd.	100,000	450,000
Changzhou Ruiyang Transmission Technology Co., Ltd.	—	2,000,000
CSR Zhuzhou Electric Locomotive Co., Ltd.	—	657,001
Xiangyang CSR Electric Machinery Co., Ltd.	—	100,000
Shijiazhuang King Transportation Equipment Co., Ltd.	—	95,000
	306,732,220	92,801,189
Advances from customers:		
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	6,833,747	—
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	1,825,641	—
Hunan CSR Times Electric Vehicle Co., Ltd.	1,539,000	954,000
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 Sifang Rolling Stock Co., Ltd.	—	15,200
	10,198,388	27,196,974

Notes to Financial Statements

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X. Related party relationships and transactions (continued)

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

	31 December 2014	31 December 2013
Other payables:		
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	154,992,700	31,566,728
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	1,130,000	930,000
Zhuzhou Electromechanical Technology Co., Ltd.	1,115,194	509,469
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	1,000,000	500,000
Changzhou Ruiyang Transmission Technology Co., Ltd.	500,000	—
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	7,909	36,614,981
	158,745,803	70,121,178

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 other current assets, i.e entrusted loans, 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.

XI. Commitments and contingencies

1. Commitments

	31 December 2014	31 December 2013
Capital commitments:		
Contracted but not provided for	110,473,601	214,025,586
Authorised but not contracted for	645,220,445	315,714,517
	755,694,046	529,740,103
Investment commitments:		
Authorised but not contracted for	—	91,100,000
Contracted but not fulfilled	22,500,000	—
	22,500,000	91,100,000

2. Contingencies

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

Notes to Financial Statements

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XII. Post balance sheet events

On 5 February 2015, the Company entered into an agreement with the shareholders of Specialist Machine Developments (SMD) Limited ("SMD"), which consist of Inflexion Mirage Limited Partnership and several natural persons, and Specialist Machine Developments (Investment) Limited ("SMD Investment") (a subsidiary of SMD) regarding the Group's acquisition of the entire issued share capital of SMD, a company incorporated in England and Wales. The agreement also stated that the Company shall procure SMD Investment to acquire shareholding of Bywell Holdings Limited ("Bywell Holdings"), a subsidiary of SMD Investment, from several natural persons. After completion, SMD, SMD Investment, and Bywell Holdings and its subsidiaries will become the wholly-owned subsidiaries of the Company.

The consideration payable by the Group in respect of the acquisition includes:

- At completion, the Group shall pay an amount not exceeding GBP108,300,000 (equivalent to approximately RMB1,033,582,710) including but not limited to the price for the relevant share transfers and repayment of shareholders' loans;
- At completion, the Group shall place a retention amount of GBP10,100,000 (equivalent to approximately RMB96,391,370) into an escrow account in the joint names of the Company and the sellers. If the performances of the first financial year and the second financial year of SMD after the completion of the acquisition meet certain performance targets stipulated under the agreement, the Group shall pay additional consideration from the retention amount not exceeding GBP10,100,000 (equivalent to approximately RMB96,391,370);
- Where completion takes place later than 31 March 2015, the Group will be required to pay an additional daily earning amount as agreed under the agreement with respect to the period from 1 April 2015 to and excluding the date of completion (For the period between 1 April 2015 to 30 April 2015, the daily earnings amount is GBP10,000 per day (equivalent to approximately RMB95,437); For the period between 1 May 2015 to 31 May 2015, the daily earnings amount is GBP15,000 per day (equivalent to approximately RMB143,156); For the period between 1 June 2015 to the date of completion, the daily earnings amount is GBP20,000 per day (equivalent to approximately RMB190,874)).

Further, if the performance of the first financial year and the second financial year of SMD as agreed by the Company and the sellers after the completion of the acquisition meet certain more stringent performance targets stipulated under the agreement, the Company shall pay certain additional contingent amount up to GBP7,000,000 (equivalent to approximately RMB66,805,900).

On completion, the Company will repay or procure the repayment of the bank loans owed by SMD and its subsidiaries then outstanding. The outstanding principal and the accrued interest under the bank loans was approximately GBP11,500,000 (equivalent to approximately RMB109,752,550) as of 31 December 2014.

The completion of such acquisition is subject to fulfillment of conditions precedent.

As of the approval date of the financial statements, the acquisition has not been completed.

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XIII. Other significant events

1. Segment reporting

Operating segments

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

Other information

Products and services information

Revenue from external customers

	2014	2013
Sales of goods and raw materials	12,384,578,901	8,725,800,551
Maintenance income	229,149,210	103,063,725
Technical service income	44,476,334	3,929,269
Rental income	11,097,935	11,235,640
Others	6,894,307	11,934,377
	12,676,196,687	8,855,963,562

Geographical information

Revenue from external customers

	2014	2013
Mainland China	12,379,397,331	8,579,561,711
Other countries and regions	296,799,356	276,401,851
	12,676,196,687	8,855,963,562

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

Total non-current assets

	31 December 2014	31 December 2013
Mainland China	2,260,164,962	2,230,244,200
Other countries and regions	224,410,980	193,599,409
	2,484,575,942	2,423,843,609

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

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIII. Other significant events (continued)

1. Segment reporting (continued)

Other information (continued)

Information of major customers

In 2014, the Group's operating revenue (which accounted for more than 10% of the Group's total revenue) of RMB7,801,176,216 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 (2013: RMB4,856,311,188 from a single customer, including sales to a group of entities which are known to be under the control of the customer).

2. Operating lease

As lessor

The leases of the Group as lessor were the operating leases of buildings. Please refer to Note V. 11 for details. According to the lease contracts entered into with lessees, the minimum lease receivables under irrevocable leases are as follows:

	31 December 2014	31 December 2013
Within 1 year, inclusive	962,897	1,575,564
1 to 2 years, inclusive	466,800	18,500
2 to 3 years, inclusive	466,800	—
	1,896,497	1,594,064

As lessee

Significant operating leases

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

	31 December 2014	31 December 2013
Within 1 year, inclusive	216,877,908	6,157,343
1 to 2 years, inclusive	213,815,680	3,598,935
2 to 3 years, inclusive	140,442,169	2,855,539
Over 3 years	2,285,524	2,577,766
	573,421,281	15,189,583

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIII. Other significant events (continued)

3. Other financial information

(1) Net current assets and total assets less current liabilities

	31 December 2014		31 December 2013	
	Group	Company	Group	Company
Net current assets	9,179,211,753	8,478,808,585	6,992,162,939	6,661,095,835
Total assets less current liabilities	11,938,153,567	11,547,532,429	9,577,966,146	9,257,905,523

(2) Contributions paid to pension plans

	2014	2013
Contributions paid to pension plans	109,178,481	104,703,102

As at 31 December 2014, the Group was not mandated to withdraw any amount of contributions in order to reduce the contribution amounts to pension plans in future years (2013: Nil).

(3) Remuneration of directors, supervisors and chief executive

Remuneration of directors, supervisors and chief executive for the current year is disclosed as follows:

	2014	2013
Fees	913,095	913,095
Other emoluments:		
Salaries, allowances and benefits in kind	1,585,774	1,517,060
Performance related bonuses	1,654,030	1,391,381
Pension scheme contributions	168,288	149,856
	3,408,092	3,058,297
	4,321,187	3,971,392

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIII. Other significant events (continued)

3. Other financial information (continued)

(3) Remuneration of directors, supervisors and chief executive (continued)

2014

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
Executive directors					
Ding Rongjun	—	—	—	—	—
Li Donglin (chief executive)	—	507,228	678,115	42,072	1,227,415
Deng Huijin (Note 1)	—	—	—	—	—
Yan Wu (Note 1)	—	369,296	333,833	42,072	745,201
	—	876,524	1,011,948	84,144	1,972,616
Non-executive directors					
Ma Yunkun	77,382	—	—	—	77,382
	77,382	—	—	—	77,382
Independent non-executive directors					
Gao Yucai	92,857	—	—	—	92,857
Chan Kam Wing, Clement	278,571	—	—	—	278,571
Pao Ping Wing	278,571	—	—	—	278,571
Liu Chunru	92,857	—	—	—	92,857
	742,856	—	—	—	742,856
Supervisors					
He Wencheng (Note 2)	—	—	—	—	—
Xiong Ruihua (Note 2)	—	—	—	—	—
Pang Yiming	—	302,036	150,012	42,072	494,120
Zhou Guifa	—	407,214	492,070	42,072	941,356
Geng Jianxin	92,857	—	—	—	92,857
	92,857	709,250	642,082	84,144	1,528,333
	913,095	1,585,774	1,654,030	168,288	4,321,187

XIII. Other significant events (continued)**3. Other financial information** (continued)**(3) 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

Note 1: As at 25 March 2014, the thirteenth meeting of the third board of directors, Deng Huijin and Yan Wu were approved to be the executive directors of the Company.

Note 2: As at 27 June 2014, 2013 Annual General Meeting, Xiong Ruihua was approved to be the shareholding supervisor of the Company and He Wencheng resigned as the shareholding supervisor of the Company.

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XIII. Other significant events (continued)

3. Other financial information (continued)

(3) Remuneration of directors, supervisors and chief executive (continued)

The five highest paid employees of the Group are as follows:

	2014	2013
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:

	2014	2013
Salaries, allowances and benefits in kind	3,502,754	3,694,642
Performance related bonuses	1,059,889	378,195
Pension scheme contributions	226,677	208,828
	<u>4,789,320</u>	<u>4,281,665</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:

	2014	2013
Below HKD1,000,000	—	1
HKD1,000,001 to HKD2,000,000	4	3
HKD2,000,001 to HKD2,500,000	1	—
	<u>5</u>	<u>4</u>

In 2014, there were no director, supervisor, chief executive or any of the non-director, non-supervisor, non-chief executive highest paid individual who waived or agreed to waive any emoluments, and no emoluments were paid by the Group to any director, supervisor, chief executive and any non-director and non-supervisor highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office (2013: Nil).

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Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements

1. Cash and bank balances

	31 December 2014	31 December 2013
Cash in bank	<u>2,214,865,319</u>	<u>2,763,730,041</u>

As at 31 December 2014, the cash and bank balances deposited overseas by the Company were equivalent to RMB8,774 (31 December 2013: RMB267,320).

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

2. Bills receivable

	31 December 2014	31 December 2013
Bank acceptance bills	1,184,874,756	776,114,542
Commercial acceptance bills	1,809,346,000	1,311,156,231
	<u>2,994,220,756</u>	<u>2,087,270,773</u>

Five highest bills receivable are listed as follows:

	31 December 2014
CSR Zhuzhou Electric Locomotive Co., Ltd.	1,070,000,000
CSR Sifang Rolling Stock Co., Ltd.	264,000,000
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	255,000,000
Non-related party	230,896,000
Ziyang CSR Electric Locomotive Co., Ltd.	162,200,000
	<u>1,982,096,000</u>

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

2. Bills receivable (continued)

Five highest bills receivable are listed as follows: (continued)

	31 December 2013
CSR Zhuzhou Electric Locomotive Co., Ltd.	812,536,231
Non-related party 1	240,620,000
CSR Sifang Rolling Stock Co., Ltd.	226,000,000
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	201,000,000
Non-related party 2	104,000,000
	<u>1,584,156,231</u>

As at 31 December 2013, the title of bills receivable with a carrying amount of RMB1,000,000 was restricted.

3. Trade receivables

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

Maturity analysis:

	31 December 2014	31 December 2013
Within 6 months	2,465,983,270	2,096,539,400
6 months to 1 year	256,534,331	196,890,588
1 to 2 years	397,207,221	146,912,446
2 to 3 years	25,197,912	3,631,010
Over 3 years	6,354,159	8,983,840
	<u>3,151,276,893</u>	<u>2,452,957,284</u>
Less: Provision for bad debt	99,729,772	38,595,681
	<u>3,051,547,121</u>	<u>2,414,361,603</u>
Less: Classified as non-current assets (Note XIV. 9)	19,847,943	22,720,364
	<u>3,031,699,178</u>	<u>2,391,641,239</u>

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

3. Trade receivables (continued)

The movements of provision for bad debt are as follows:

	2014	2013
Opening balance	38,595,681	34,882,598
Provision in the current year	63,798,423	5,684,887
Reversal in the current year	(276,807)	(1,480,192)
Write-off in the current year	(2,387,525)	(491,612)
Closing balance	<u>99,729,772</u>	<u>38,595,681</u>

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

	31 December 2014	31 December 2013
Times Electronics	377,226,963	
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	278,202,177	
CSR Zhuzhou Electric Locomotive Co., Ltd.	235,300,005	
CSR Qishuyan Locomotive Co., Ltd.	187,137,679	
Non-related party	123,548,658	
	<u>1,201,415,482</u>	
		<u>310,700,702</u>
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.		190,015,329
Times Electronics		125,264,605
Non-related party		124,681,575
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.		123,317,520
CSR Zhuzhou Electric Locomotive Co., Ltd.		<u>873,979,731</u>

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

4. Dividends receivable

	31 December 2014	31 December 2013
Times Electronics	30,000,000	50,000,000

5. Prepayments

Maturity analysis:

	31 December 2014	31 December 2013
Within 1 year	94,710,153	73,922,562
1 to 2 years	32,487,457	973,082
2 to 3 years	45,100	3,529,224
Over 3 years	1,261,099	13,865,739
	128,503,809	92,290,607

Five highest prepayments are as follows:

	31 December 2014	31 December 2013
Dynex Semiconductor	30,832,196	
Baoji Times	27,948,800	
Xiwu	20,000,000	
Non-related party 1	14,382,020	
Non-related party 2	8,684,138	
	101,847,154	
		31 December 2013
Baoji Times		27,948,800
Dynex Semiconductor		14,692,105
Non-related party 1		9,450,932
Non-related party 2		6,308,548
Non-related party 3		4,548,571
		62,948,956

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

6. Other receivables

Maturity analysis:

	31 December 2014	31 December 2013
Within 1 year	71,660,143	146,823,184
1 to 2 years	23,307,383	82,882,183
2 to 3 years	31,078,496	89,562,297
Over 3 years	74,915,642	68,239,635
	200,961,664	387,507,299
Less: Provision for bad debt	4,501,538	2,505,868
	196,460,126	385,001,431

The movements of provision for bad debt are as follows:

	2014	2013
Opening balance	2,505,868	2,474,975
Provision in the current year	1,995,670	30,893
Closing balance	4,501,538	2,505,868

Other receivables by nature are as follows:

	31 December 2014	31 December 2013
Customs deposit	40,215,000	31,546,168
Other receivables from subsidiaries	133,573,212	340,774,848
Others	22,671,914	12,680,415
	196,460,126	385,001,431

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

6. Other receivables (continued)

Five highest other receivables are as follows:

	31 December 2014
Times Information	62,220,892
Kunming Electric	47,595,000
Non-related party 1	40,215,000
Ningbo Electric	15,000,000
Non-related party 2	4,159,674
	<u>169,190,566</u>
	31 December 2013
Baoji Times	135,229,780
Times Information	62,220,892
Shenyang Times	53,271,860
Kunming Electric	45,660,961
Non-related party	31,546,168
	<u>327,929,661</u>

7. Inventories

	31 December 2014		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	403,353,194	33,383,431	369,969,763
Work in progress and semi-finished products	264,946,862	45,041,013	219,905,849
Finished goods	1,140,885,569	5,110,764	1,135,774,805
Turnover materials	5,180,430	349,879	4,830,551
	<u>1,814,366,055</u>	<u>83,885,087</u>	<u>1,730,480,968</u>

Notes to Financial Statements

31 December 2014

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

7. Inventories (continued)

	31 December 2013		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	369,150,301	33,031,403	336,118,898
Work in progress and semi-finished products	209,883,334	8,657,811	201,225,523
Finished goods	567,785,270	14,228,646	553,556,624
Turnover materials	5,477,967	913,893	4,564,074
	<u>1,152,296,872</u>	<u>56,831,753</u>	<u>1,095,465,119</u>

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

2014

	Opening balance	Provision	Reversal and Write-off	Closing balance
Raw materials	33,031,403	2,104,632	(1,752,604)	33,383,431
Work in progress and semi-finished products	8,657,811	36,499,143	(115,941)	45,041,013
Finished goods	14,228,646	900,145	(10,018,027)	5,110,764
Turnover materials	913,893	48,379	(612,393)	349,879
	<u>56,831,753</u>	<u>39,552,299</u>	<u>(12,498,965)</u>	<u>83,885,087</u>

2013

	Opening balance	Provision	Reversal and Write-off	Closing balance
Raw materials	45,994,299	7,116,495	(20,079,391)	33,031,403
Work in progress and semi-finished products	7,595,945	2,590,977	(1,529,111)	8,657,811
Finished goods	54,661,504	5,198,493	(45,631,351)	14,228,646
Turnover materials	1,044,157	165,847	(296,111)	913,893
	<u>109,295,905</u>	<u>15,071,812</u>	<u>(67,535,964)</u>	<u>56,831,753</u>

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Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

8. Other current assets

	31 December 2014	31 December 2013
Bank financial products	2,664,709,726	600,000,000
Entrusted loans	—	500,000,000
Prepaid value-added tax	33,756,045	50,920,613
Other prepaid tax	761,520	12,935,623
Prepaid city maintenance and construction tax	—	9,975,978
	2,699,227,291	1,173,832,214

9. Long-term receivables

	31 December 2014	31 December 2013
Trade receivables (Note XIV. 3)	19,847,943	22,720,364
Long-term finance lease receivables	—	609,036
	19,847,943	23,329,400
Less: Long-term receivables due within one year	—	609,036
	19,847,943	22,720,364

10. Long-term equity investments

	31 December 2014	31 December 2013
Long-term equity investments using equity method	237,010,505	232,953,448
Long-term equity investments using cost method	1,106,747,990	840,747,990
	1,343,758,495	1,073,701,438
Less: Impairment of long-term investments	49,699,261	49,699,261
	1,294,059,234	1,024,002,177

Changes in long-term equity investments impairment are as follows:

	2014	2013
Opening balance	49,699,261	—
Provision in the current year	—	49,699,261
Closing balance	49,699,261	49,699,261

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Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

10. Long-term equity investments (continued)

Long-term equity investments using equity method

2014

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

2013

	Current period movements			Closing balance
	Opening balance	Investment income under equity method	Cash dividends announced	
Non-listed investments				
Equity method				
A joint venture				
Shiling	169,050,112	16,182,854	(9,000,000)	176,232,966
Associates				
Zhuzhou Siemens	72,803,665	(124,995)	(25,649,639)	47,029,031
Xiwu	13,171,076	(3,479,625)	—	9,691,451
	<u>85,974,741</u>	<u>(3,604,620)</u>	<u>(25,649,639)</u>	<u>56,720,482</u>
	<u>255,024,853</u>	<u>12,578,234</u>	<u>(34,649,639)</u>	<u>232,953,448</u>

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31 December 2014

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

10. Long-term equity investments (continued)

Long-term equity investments using cost method

2014

	Opening balance	Changes	Closing balance
Non-listed investments			
Times Electronics	182,977,618	—	182,977,618
Ningbo Times	133,507,255	—	133,507,255
Times Information	29,000,000	—	29,000,000
Times USA	3,187,516	—	3,187,516
Times Equipment	34,561,157	65,000,000	99,561,157
Shenyang Times	3,000,000	53,000,000	56,000,000
Baoji Times	160,000,000	100,000,000	260,000,000
Kunming Electric	3,000,000	—	3,000,000
Hangzhou Electric	33,000,000	—	33,000,000
Guangzhou Times	18,000,000	—	18,000,000
HK Electric	8,098,000	—	8,098,000
Times Australia	1,814,037	—	1,814,037
Ningbo Electric	10,000,000	—	10,000,000
Times Brasil	4,062,679	—	4,062,679
Qingdao Electric	—	22,500,000	22,500,000
Shanghai CSR Railway	—	25,500,000	25,500,000
	624,208,262	266,000,000	890,208,262
Listed investments			
Dynex	216,539,728	—	216,539,728
	840,747,990	266,000,000	1,106,747,990
Less: Impairment of long-term investments	49,699,261	—	49,699,261
	791,048,729	266,000,000	1,057,048,729

Notes to Financial Statements

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Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

10. Long-term equity investments (continued)

Long-term equity investments using cost method (continued)

2013

	Opening balance	Changes	Closing balance
Non-listed investments			
Times Electronics	182,977,618	—	182,977,618
Ningbo Times	33,507,255	100,000,000	133,507,255
Times Information	29,000,000	—	29,000,000
Times USA	3,187,516	—	3,187,516
Times Equipment	34,561,157	—	34,561,157
Shenyang Times	3,000,000	—	3,000,000
Baoji Times	160,000,000	—	160,000,000
Kunming Electric	3,000,000	—	3,000,000
Hangzhou Electric	33,000,000	—	33,000,000
Guangzhou Times	18,000,000	—	18,000,000
HK Electric	8,098,000	—	8,098,000
Times Australia	1,814,037	—	1,814,037
Ningbo Electric	10,000,000	—	10,000,000
Times Brasil	—	4,062,679	4,062,679
	520,145,583	104,062,679	624,208,262
Listed investments			
Dynex	216,539,728	—	216,539,728
	736,685,311	104,062,679	840,747,990
Less: Impairment of long-term investments	—	49,699,261	49,699,261
	736,685,311	54,363,418	791,048,729

Notes to Financial Statements

31 December 2014

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

11. Fixed assets

2014

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	739,786,774	695,465,035	23,034,310	123,520,955	1,581,807,074
Purchase	—	16,436,465	1,493,811	20,934,409	38,864,685
Construction in progress	123,995,100	215,977,005	—	203,407	340,175,512
Sale and disposal	—	(18,366,934)	(2,450,471)	(6,216,678)	(27,034,083)
Other decrease	—	(2,063,540)	—	(13,776,195)	(15,839,735)
Closing balance	<u>863,781,874</u>	<u>907,448,031</u>	<u>22,077,650</u>	<u>124,665,898</u>	<u>1,917,973,453</u>
Accumulated depreciation					
Opening balance	113,323,078	292,651,707	15,228,401	79,068,719	500,271,905
Increase	23,318,191	138,669,336	2,726,126	15,055,079	179,768,732
Write-off	—	(13,909,417)	(2,344,577)	(5,191,828)	(21,445,822)
Other decrease	—	(1,372,172)	—	(9,525,525)	(10,897,697)
Closing balance	<u>136,641,269</u>	<u>416,039,454</u>	<u>15,609,950</u>	<u>79,406,445</u>	<u>647,697,118</u>
Impairment provision					
Opening balance	9,411,739	34,262,797	—	128,736	43,803,272
Increase	1,101,525	21,521,983	—	6,967	22,630,475
Write-off	—	(2,681,170)	—	(18,591)	(2,699,761)
Closing balance	<u>10,513,264</u>	<u>53,103,610</u>	<u>—</u>	<u>117,112</u>	<u>63,733,986</u>
Net carrying amount					
31 December 2014	<u>716,627,341</u>	<u>438,304,967</u>	<u>6,467,700</u>	<u>45,142,341</u>	<u>1,206,542,349</u>
31 December 2013	<u>617,051,957</u>	<u>368,550,531</u>	<u>7,805,909</u>	<u>44,323,500</u>	<u>1,037,731,897</u>

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

11. Fixed assets (continued)

2013

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	614,840,358	643,224,738	22,604,688	110,103,592	1,390,773,376
Purchase	—	14,503,653	567,521	15,752,176	30,823,350
Construction in progress	125,146,092	42,526,303	—	31,637	167,704,032
Sale and disposal	(199,676)	(4,789,659)	(137,899)	(2,366,450)	(7,493,684)
Closing balance	<u>739,786,774</u>	<u>695,465,035</u>	<u>23,034,310</u>	<u>123,520,955</u>	<u>1,581,807,074</u>
Accumulated depreciation					
Opening balance	93,062,773	245,658,095	12,336,743	66,680,060	417,737,671
Increase	20,260,305	49,569,987	3,023,769	14,472,826	87,326,887
Write-off	—	(2,576,375)	(132,111)	(2,084,167)	(4,792,653)
Closing balance	<u>113,323,078</u>	<u>292,651,707</u>	<u>15,228,401</u>	<u>79,068,719</u>	<u>500,271,905</u>
Impairment provision					
Opening balance	9,411,739	35,878,687	—	128,736	45,419,162
Write-off	—	(1,615,890)	—	—	(1,615,890)
Closing balance	<u>9,411,739</u>	<u>34,262,797</u>	<u>—</u>	<u>128,736</u>	<u>43,803,272</u>
Net carrying amount					
31 December 2013	<u>617,051,957</u>	<u>368,550,531</u>	<u>7,805,909</u>	<u>44,323,500</u>	<u>1,037,731,897</u>
31 December 2012	<u>512,365,846</u>	<u>361,687,956</u>	<u>10,267,945</u>	<u>43,294,796</u>	<u>927,616,543</u>

The carrying amount of fixed assets on operating lease is as follows:

	31 December 2014	31 December 2013
Buildings	<u>57,939,398</u>	<u>67,465,713</u>

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

12. Construction in Progress

	31 December 2014	31 December 2013
Power electronic devices & electric drive system test platform construction project	88,054,052	—
Maotangao staff dorm building construction project	5,389,782	85,507,535
8 MW golden sun demonstration project	—	51,430,000
Converter manufacturing plant construction project	—	1,205,680
Photovoltaic power generation comprehensive test system construction project	—	13,091,536
Others	25,447,575	74,764,986
	118,891,409	225,999,737

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

	Budget	Opening balance	Increase	Transfers to fixed assets	Closing balance	Capital resource	Proportion of budget invested
Power electronic devices & electric drive system test platform construction project	156,100,000	—	88,054,052	—	88,054,052	Self-raised	56%
Maotangao staff dorm building construction project	121,436,500	85,507,535	34,555,212	114,672,965	5,389,782	Self-raised & government grant	99%
8 MW golden sun demonstration project	72,000,000	51,430,000	20,629,269	72,059,269	—	Self-raised & government grant	100%
Converter manufacturing plant construction project	165,000,000	1,205,680	3,695,396	4,901,076	—	Self-raised	96%
Photovoltaic power generation comprehensive test system construction project	13,500,000	13,091,536	97,863	13,189,399	—	Self-raised & government grant	98%
Others		74,764,986	86,035,392	135,352,803	25,447,575		
		225,999,737	233,067,184	340,175,512	118,891,409		

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Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

12. Construction in Progress (continued)

The movements of construction in progress in 2013 are as follows:

	Budget	Opening balance	Increase	Transfers to fixed assets	Closing balance	Capital resource	Proportion of budget invested
Maotangao staff dorm building construction project	121,436,500	20,915,724	64,591,811	—	85,507,535	Self-raised & government grant	70 %
8 MW golden sun demonstration project	72,000,000	51,430,000	—	—	51,430,000	Self-raised & government grant	71%
Converter manufacturing plant construction project	165,000,000	104,867,313	43,687,601	147,349,234	1,205,680	Self-raised	93%
Photovoltaic power generation comprehensive test system construction project	13,500,000	11,445,014	1,646,522	—	13,091,536	Self-raised & government grant	97%
Others		39,722,928	55,396,856	20,354,798	74,764,986		
		<u>228,380,979</u>	<u>165,322,790</u>	<u>167,704,032</u>	<u>225,999,737</u>		

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

13. Deferred tax assets

	31 December 2014		31 December 2013	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for product quality warranties	797,513,605	119,627,040	325,500,943	48,825,142
Provision for impairment of assets	380,526,216	57,078,932	135,942,607	20,391,391
Government grants	197,144,057	29,571,609	220,165,667	33,024,850
Depreciation differences arising from different depreciation terms in tax laws and accounting	73,308,271	10,996,241	—	—
Payroll payable	27,877,180	4,181,577	60,180,641	9,027,096
Others	7,545,424	1,131,814	—	—
	1,483,914,753	222,587,213	741,789,858	111,268,479

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

	31 December 2014	31 December 2013
Deductible temporary differences	—	97,933,303

14. Bills payable

	31 December 2014	31 December 2013
Commercial acceptance bills	136,450,000	91,841,000
Bank acceptance bills	1,249,486,394	682,753,970
	1,385,936,394	774,594,970

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

15. Trade payables

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

	31 December 2014	31 December 2013
Within 3 months	1,248,954,897	1,378,730,712
3 months to 1 year	346,610,198	111,066,082
1 to 2 years	67,977,419	24,158,421
2 to 3 years	24,078,129	85,114,607
Over 3 years	81,428,308	5,546,255
	1,769,048,951	1,604,616,077
Less: Classified as long-term payables	66,444,529	—
	1,702,604,422	1,604,616,077

16. Advances from customers

	31 December 2014	31 December 2013
Within 1 year	481,473,274	336,520,182
1 to 2 years	28,107,544	25,451,649
2 to 3 years	985,748	1,043,548
Over 3 years	1,848,603	1,374,145
	512,415,169	364,389,524

17. Other payables

	31 December 2014	31 December 2013
Within 1 year	365,533,991	122,321,166
1 to 2 years	16,620,086	34,130,902
2 to 3 years	27,833,041	16,684,084
Over 3 years	12,249,650	2,943,332
	422,236,768	176,079,484

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

18. Provisions

2014

	Opening balance	Increase	Decrease	Closing balance
Provision for product quality warranties	<u>325,500,943</u>	<u>655,500,427</u>	<u>183,487,764</u>	<u>797,513,606</u>
Less: Provisions due within one year				<u>323,041,323</u>
				<u>474,472,283</u>

2013

	Opening balance	Increase	Decrease	Closing balance
Provision for product quality warranties	<u>208,768,422</u>	<u>276,871,262</u>	<u>160,138,741</u>	325,500,943
Less: Provisions due within one year				<u>122,883,674</u>
				<u>202,617,269</u>

19. Deferred income

	31 December 2014	31 December 2013
Government grants related to assets	<u>155,780,057</u>	131,832,967
Government grants related to income	<u>41,364,000</u>	<u>91,402,700</u>
	<u>197,144,057</u>	223,235,667
Less: Classified as current liabilities	<u>47,471,918</u>	<u>91,642,700</u>
	<u>149,672,139</u>	<u>131,592,967</u>

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

19. Deferred income (continued)

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

	Opening balance	Increase	Recognised as non-operating income	Other movements	Closing balance	Relevant to asset/income
8 MW golden sun demonstration project	51,430,000	—	—	—	51,430,000	Asset
Maotangao staff dorm building construction project	20,471,300	—	(37,910)	—	20,433,390	Asset
Photovoltaic power generation comprehensive test system construction project	7,980,000	3,420,000	(665,000)	—	10,735,000	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	12,191,667	—	(1,900,000)	—	10,291,667	Asset
High speed train traction drive and brake system project	11,067,000	—	(11,067,000)	—	—	Income
High speed train network control project (Power electronics) research for power electronic devices & built for production line	37,631,700	—	(37,631,700)	—	—	Income
High voltage chip packaging and module technology development and industrialization for high speed train application	6,400,000	—	(400,000)	—	6,000,000	Asset
(Power electronics) integrated manufacturing technology R&D and industrialization of SIC based power electronic devices	14,224,000	—	—	—	14,224,000	Income
Others	30,290,000	22,880,000	—	—	53,170,000	Asset
	31,550,000	9,940,000	(8,800,000)	(1,830,000)	30,860,000	Asset/income
	<u>223,235,667</u>	<u>36,240,000</u>	<u>(60,501,610)</u>	<u>(1,830,000)</u>	<u>197,144,057</u>	

Notes to Financial Statements

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Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

19. Deferred income (continued)

Liabilities relevant to government grants as at 31 December 2013 are listed as follows:

	Opening balance	Increase	Recognised as non-operating income	Closing balance	Relevant to asset/income
8 MW golden sun demonstration project	51,430,000	—	—	51,430,000	Asset
Maotangao staff dorm building construction project	20,471,300	—	—	20,471,300	Asset
Photovoltaic power generation comprehensive test system construction project	7,980,000	—	—	7,980,000	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	14,091,667	—	(1,900,000)	12,191,667	Asset
High speed train traction drive and brake system project	11,067,000	—	—	11,067,000	Income
High speed train network control project	37,631,700	—	—	37,631,700	Income
(Power electronics) research for power electronic devices & built for production line	6,800,000	—	(400,000)	6,400,000	Asset
High voltage chip packaging and module technology development and industrialization for high speed train application	14,540,000	—	(316,000)	14,224,000	Income
(Power electronics) integrated manufacturing technology R&D and industrialization of SIC based power electronic devices	—	30,290,000	—	30,290,000	Asset
Others	21,955,000	9,595,000	—	31,550,000	Asset/income
	<u>185,966,667</u>	<u>39,885,000</u>	<u>(2,616,000)</u>	<u>223,235,667</u>	

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

20. 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:

	2014	2013
Revenue from principal operations	11,292,147,647	7,652,332,701
Other operating income	295,868,454	218,186,657
	11,588,016,101	7,870,519,358

Cost of sales is stated as follows:

	2014	2013
Cost of sales from principal operations	7,117,224,366	4,958,977,803
Other operating costs	249,068,057	183,509,095
	7,366,292,423	5,142,486,898

Details of revenue are listed as follows:

	2014	2013
Sale of goods and materials	11,306,726,479	7,743,823,579
Maintenance income	224,410,749	103,063,725
Technical service income	42,626,123	4,309,295
Rental income	7,752,645	9,762,370
Others	6,500,105	9,560,389
	11,588,016,101	7,870,519,358

Notes to Financial Statements

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

21. Business taxes and surcharges

	2014	2013
City maintenance and construction surtax	50,720,607	37,566,086
Education surcharge	35,912,007	26,832,794
Others	316,998	729,017
	<u>86,949,612</u>	<u>65,127,897</u>

22. Finance costs

	2014	2013
Interest income	(44,957,102)	(15,441,032)
Exchange losses/(gains)	1,261,576	(13,954,468)
Others	4,296,776	3,019,596
	<u>(39,398,750)</u>	<u>(26,375,904)</u>

23. Asset impairment losses

	2014	2013
Bad debt loss	65,517,286	4,235,588
Impairment loss/(reversal of loss) of inventories	27,053,334	(52,464,152)
Impairment loss of long-term equity investments	—	49,699,261
Impairment loss of fixed assets	22,630,475	—
	<u>115,201,095</u>	<u>1,470,697</u>

24. Investment income

	2014	2013
Income from non-listed investments:		
Long-term equity investment income under the equity method	15,057,057	12,578,234
Long-term equity investment income under the cost method	154,792,313	202,000,000
Income from entrusted loans	24,854,795	—
Bank financial product income	44,713,424	—
	<u>239,417,589</u>	<u>214,578,234</u>

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

25. Non-operating income

	2014	2013
Gain on disposal of non-current assets	501,510	90,144
Refunds of value-added tax	168,516,350	54,880,744
Government grants	74,111,944	11,066,901
Unsettled payment	—	513,751
Penalty income and default compensation income	3,011,414	2,468,128
Others	9,034,949	350,805
	<u>255,176,167</u>	<u>69,370,473</u>

26. Non-operating expenses

	2014	2013
Loss on disposal of non-current assets	1,236,870	585,158
Loss on penalties and compensation	261,378	133,169
Others	305,046	44,406
	<u>1,803,294</u>	<u>762,733</u>

27. Income tax expense

	2014	2013
Current income tax expense		
— Mainland China	443,974,143	241,486,275
Deferred income tax expense	(111,318,734)	(23,450,027)
	<u>332,655,409</u>	<u>218,036,248</u>

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

27. Income tax expense (continued)

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

	2014	2013
Total profit	2,677,320,423	1,773,620,262
Income tax expense at statutory tax rate of 25%	669,330,106	443,405,065
Tax exemption	(267,732,042)	(177,362,026)
Profits and losses attributable to associates and a joint venture	(7,749,276)	(1,886,735)
Income not subject to tax	(23,218,847)	(30,300,000)
Income tax benefits on research and development expenditure	(34,405,499)	(19,648,004)
Expenses not deductible for tax	2,345,100	1,883,820
Deductible temporary differences not recognised	6,874,317	4,307,631
Recognise the un-recognised deductible temporary differences of previous years	(14,689,995)	—
Others	1,901,545	(2,363,503)
Tax expense at the Group's effective tax rate	332,655,409	218,036,248

28. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

	2014	2013
Adjustment of net profit to cash flows from operating activities:		
Net profit	2,344,665,014	1,555,584,014
Add: Provision for impairment of assets	115,201,095	1,470,697
Depreciation	179,768,732	87,326,887
Amortisation of intangible assets	13,134,551	14,405,553
Losses from disposal of fixed assets, intangible assets and other long-term assets	735,360	495,014
Investment income	(239,417,589)	(214,578,234)
Increase in deferred tax assets	(111,318,734)	(23,450,027)
Increase in inventories	(662,069,183)	(193,223,122)
Increase in operating receivables	(1,438,896,453)	(1,499,450,586)
Increase in operating payables	1,483,209,213	863,977,359
Net cash flows from operating activities	1,685,012,006	592,557,555

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

28. Supplementary information to the statement of cash flows (continued)

(1) Supplementary information to the statement of cash flows (continued)

Significant investing and financing activities which do not involve cash:

	2014	2013
Shareholder dividends payable compensated from trade receivables	5,028,224	—
Equipment procurement compensated from operating current account	<u>32,683,009</u>	<u>—</u>

Movement in cash and cash equivalents:

	2014	2013
Closing balance of cash	2,214,865,319	2,763,730,041
Less: Opening balance of cash	<u>2,763,730,041</u>	<u>1,956,420,369</u>
Net change of cash and cash equivalents	<u>(548,864,722)</u>	<u>807,309,672</u>

(2) Cash and cash equivalents

	31 December 2014	31 December 2013
Cash		
Including: Cash on hand	—	—
Bank deposits on demand	1,624,917,803	2,763,730,041
Deposits due within 3 months	<u>589,947,516</u>	<u>—</u>
Closing balance of cash and cash equivalents	<u>2,214,865,319</u>	<u>2,763,730,041</u>

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

29. Major transactions between the Company and its related parties

(1) Sales of goods to related parties

	2014	2013
Times Electronics	182,577,594	152,928,615
Shenyang Times	43,246,150	58,688,608
Hangzhou Electric	41,070,181	—
Baoji Times	36,889,913	22,975,966
Times USA	16,394,310	15,156,822
Times Equipment	16,344,966	3,270,312
Dynex Semiconductor	15,857,037	20,660,865
Kunming Electric	12,844,897	79,951,157
Times Information	4,669,987	125,029,866
Ningbo Electric	4,088,669	1,872,291
Qingdao Electric	468,983	—
Guangzhou Times	—	41,648,600
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	3,411,767,456	1,613,580,007
CSR Zhuzhou Electric Locomotive Co., Ltd.	2,934,209,784	2,043,020,163
Shiling	969,465,503	304,997,461
CSR Sifang Rolling Stock Co., Ltd.	310,587,083	293,369,700
CSR Qishuyan Locomotive Co., Ltd.	244,992,788	105,692,741
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	141,141,144	147,319,642
Nanjing CSR Puzhen Rapid Transit Vehicles Co., Ltd.	122,751,152	5,753,997
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	115,160,751	142,904,332
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	69,261,338	47,588,327
CSR Guangdong Rolling Stock Co., Ltd.	42,332,991	16,575,812
Hunan CSR Times Electric Vehicle Co., Ltd.	33,713,610	26,820,749
Shijiazhuang King Transportation Equipment Co., Ltd.	19,305,085	9,974,196
Qingdao CSR Sifang Sales Co., Ltd.	19,090,495	13,995,535
CSR Zhuzhou Electric Co., Ltd.	16,015,689	5,269,853
Xiangyang CSR Electric Machinery Co., Ltd.	15,712,650	3,439,188
Beijing North Gofront Science Business Co., Ltd.	11,087,407	9,731,135
Zhuzhou Electromechanical Technology Co., Ltd.	10,102,971	40,065,560
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	8,741,607	5,708,889
Shanghai CSR Hange Shipping Engineering Co., Ltd.	8,394,807	—
CSR Ziyang Locomotive Co., Ltd.	1,011,027	22,509,860
Nanjing Puzhen Haitai Brake Equipment Co., Ltd.	377,359	—
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	299,580	579,386
Guangzhou Electrical Locomotive Co., Ltd.	291,475	168,270
Ziyang CSR Electric Locomotive Co., Ltd.	219,070	184,128
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	136,752	—
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	8,500	—
Xiwu	—	3,665,137
	8,880,630,761	5,385,097,170

XIV. Notes to Key Items of the Company's Financial Statements (continued)

29. Major transactions between the Company and its related parties (continued)

(2) Purchases of goods from related parties

	2014	2013
Ningbo Electric	133,642,154	95,714,108
Hangzhou Electric	55,416,851	—
Shenyang Times	54,845,320	56,242,708
Times Equipment	37,809,929	69,847,952
Baoji Times	32,293,111	14,573,590
Dynex Semiconductor	31,219,681	32,257,013
Times Electronics	23,503,023	36,436,802
Kunming Electric	22,189,434	60,971,172
Times Information	20,114,043	53,231,316
Guangzhou Times	—	55,602,406
Times USA	—	1,527,875
Shiling	1,327,413,890	533,479,341
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	489,694,527	452,074,668
CSR Zhuzhou Electric Co., Ltd.	250,086,945	126,618,835
Zhuzhou Electromechanical Technology Co., Ltd.	136,552,157	80,542,280
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	130,648,623	89,346,898
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	109,914,710	78,508,101
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	69,471,698	49,092,381
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	5,071,513	25,926,038
Changzhou Ruiyang Transmission Technology Co., Ltd.	4,768,376	30,030,726
CSR Zhuzhou Electric Locomotive Works	4,621,909	—
Zhuzhou Times New Material Technology Co., Ltd.	2,557,310	623,216
CSR Qishuyan Locomotive Co., Ltd.	756,269	62,621,142
CSR Zhuzhou Electric Locomotive Co., Ltd.	672,622	23,930,487
Hunan CSR Times Electric Vehicle Co., Ltd.	470,762	1,942,396
Xiangyang CSR Electric Machinery Co., Ltd.	371,054	—
Zhuzhou Gofront Braking Equipment Co., Ltd.	299,621	—
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	22,681	390,662
CSR Ziyang Locomotive Co., Ltd.	11,280	—
Zhuzhou Times Electric Insulation Co., Ltd.	2,048	31,477
Xiwu	—	7,953,682
Shijiazhuang King Transportation Equipment Co., Ltd.	—	324,786
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	—	198,993
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	—	50,814
	2,944,441,541	2,040,091,865

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

29. Major transactions between the Company and its related parties (continued)

(3) Sales of electricity to related parties

	2014	2013
Times Equipment	362,764	357,143
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	391,221	651,989
Zhuzhou Siemens	195,474	517,273
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	309,017	686,570
CSR Electric Technology and Materials Engineering Research Institute	115,113	—
	<u>1,373,589</u>	<u>2,212,975</u>

(4) Purchases of electricity from related parties

	2014	2013
CSR Zhuzhou Electric Locomotive Co., Ltd.	<u>320,118</u>	<u>73,933</u>

(5) Sales of fixed assets to related parties

	2014	2013
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	<u>—</u>	<u>14,925</u>

(6) Purchases of fixed assets from related parties

	2014	2013
Times Equipment	93,800,362	—
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	20,629,269	259,369
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	9,937	15,405
Zhuzhou Electromechanical Technology Co., Ltd.	—	2,682,168
	<u>114,439,568</u>	<u>2,956,942</u>

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

29. Major transactions between the Company and its related parties (continued)

(7) Purchases of intangible assets from related parties

	2014	2013
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	—	247,500
	<u>—</u>	<u>247,500</u>

(8) Provide entrusted loans to related parties

	2014	2013
Dynex Semiconductor	31,000,000	—
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	—	500,000,000
	<u>31,000,000</u>	<u>500,000,000</u>

(9) Related party leases

As lessor

	2014	2013
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	3,253,943	2,841,315
Zhuzhou Siemens	3,710,426	4,960,857
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	—	525,280
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	—	8,086
	<u>6,964,369</u>	<u>8,335,538</u>

As lessee

	2014	2013
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	63,291,698	529,085
Zhuzhou Electric Vehicle Co., Ltd.	1,817,580	475,677
CSR Zhuzhou Electric Locomotive Works	8,900	487,563
	<u>65,118,178</u>	<u>1,492,325</u>

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

29. Major transactions between the Company and its related parties (continued)

(10) Technical service income from related parties

	2014	2013
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	3,487,179	10,149,380
Zhuzhou Times New Material Technology Co., Ltd.	1,891,554	1,017,161
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	1,887,823	3,800,498
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	596,387	1,576,887
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	551,781	1,090,309
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	292,983	—
CSR Zhuzhou Electric Co., Ltd.	126,415	227,411
Xiangyang CSR Electric Machinery Co., Ltd.	123,651	160,849
CSR Zhuzhou Electric Locomotive Co., Ltd.	88,679	—
Hunan CSR Times Electric Vehicle Co., Ltd.	62,264	376,409
Nanjing Puzhen Haitai Brake Equipment Co., Ltd.	28,019	188,679
Shijiazhuang King Transportation Equipment Co., Ltd.	15,094	107,000
Xiangyang China Railway Hongji Engineering Co., Ltd.	9,019	7,873
Zhuzhou Electromechanical Technology Co., Ltd.	4,906	207,000
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	—	357,789
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	—	188,679
Zhuzhou CSR Times Hi-tech Investment & Trusting Co., Ltd.	—	51,972
	9,165,754	19,507,896

(11) Maintenance services provided to related parties

	2014	2013
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	102,182,585	84,517,242
Guangzhou Electrical Locomotive Co., Ltd.	24,034,188	8,547,009
CSR Luoyang Locomotive Co., Ltd.	22,350,256	7,692,308
Zhuzhou Electromechanical Technology Co., Ltd.	15,859,127	—
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	4,567,094	—
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	3,376,168	—
Beijing North Gofront Science Business Co., Ltd.	1,662,564	—
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	317,949	—
	174,349,931	100,756,559

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

29. Major transactions between the Company and its related parties (continued)

(12) Technical service fees paid to related parties

	2014	2013
Times Information	27,169,811	—
Dynex Semiconductor	10,914,511	32,438,087
Guangzhou Times	9,087,318	584,906
Qingdao Electric	8,600,000	—
Ningbo Electric	2,244,075	1,550,860
Kunming Electric	2,014,622	3,722,026
Times USA	1,845,480	2,028,995
Hangzhou Electric	1,194,000	7,163,603
Times Brasil	1,042,847	—
Times Australia	393,312	380,026
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	116,195,502	88,772,640
Zhuzhou Electromechanical Technology Co., Ltd.	16,018,462	3,878,718
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	1,415,094	—
Zhuzhou Times New Material Technology Co., Ltd.	35,849	—
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	32,547	352,371
CSR Zhuzhou Electric Locomotive Co., Ltd.	—	10,000,000
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	—	186,792
	198,203,430	151,059,024

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.

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

30. Amounts due from and due to related parties

	31 December 2014	31 December 2013
Trade receivables (including long-term trade receivables):		
Times Electronics	377,226,963	190,015,329
Hangzhou Electric	55,041,712	57,791,211
Baoji Times	54,792,279	21,918,521
Shenyang Times	46,728,976	6,130,980
Times Information	39,915,511	94,614,177
Guangzhou Times	10,530,000	12,658,252
Times Equipment	7,843,573	3,068,084
Times USA	7,167,113	8,266,274
Shanghai CSR Railway	5,590,000	—
Ningbo Times	3,069,553	377,844
Dynex Semiconductor	2,124,453	9,300,179
Qingdao Electric	548,710	—
Kunming Electric	—	2,832
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	278,202,177	310,700,702
CSR Zhuzhou Electric Locomotive Co., Ltd.	235,300,005	123,317,520
CSR Qishuyan Locomotive Co., Ltd.	187,137,679	26,316,177
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	109,659,866	124,681,575
Shiling	61,716,239	7,276,258
CSR Guangdong Rolling Stock Co., Ltd.	51,468,970	19,393,700
Nanjing CSR Puzhen Rapid Transit Vehicles Co., Ltd.	47,371,024	—
Guangzhou Electrical Locomotive Co., Ltd.	29,584,000	17,390,623
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	28,131,698	81,589,680
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	27,824,865	50,929,167
Qingdao CSR Sifang Sales Co., Ltd.	25,874,802	1,224,500
Hunan CSR Times Electric Vehicle Co., Ltd.	21,183,927	11,538,152
CSR Sifang Rolling Stock Co., Ltd.	19,586,994	29,289,558
Zhuzhou Electromechanical Technology Co., Ltd.	17,336,991	—
Shijiazhuang King Transportation Equipment Co., Ltd.	12,481,316	6,472,675
CSR Ziyang Locomotive Co., Ltd.	9,781,500	17,820,398
CSR Luoyang Locomotive Co., Ltd.	7,645,930	4,000,000
Shanghai CSR Hange Shipping Engineering Co., Ltd.	6,821,925	—
Zhuzhou Times New Material Technology Co., Ltd.	1,985,447	1,061,655
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	380,147	10,538,789
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	295,034	255,000
Xiangyang CSR Electric Machinery Co., Ltd.	180,000	3,823,850

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

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

Trade receivables (including long-term trade receivables): (continued)

	31 December 2014	31 December 2013
Xiangyang China Railway Hongji Engineering Co., Ltd.	9,560	8,345
Ziyang CSR Electric Locomotive Co., Ltd.	6,000	82,800
CSR Zhuzhou Electric Co., Ltd.	—	6,199,886
Xiwu	—	3,986,700
Beijing North Gofront Science Business Co., Ltd.	—	594,076
Zhuzhou CSR Times Hi-tech Investment & Trusting Co., Ltd.	—	55,090
	1,790,544,939	1,262,690,559

Bills receivable:

	31 December 2014	31 December 2013
Ningbo Times	181,570	—
CSR Zhuzhou Electric Locomotive Co., Ltd.	1,070,000,000	812,536,231
CSR Sifang Rolling Stock Co., Ltd.	264,000,000	226,000,000
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	255,000,000	201,000,000
Ziyang CSR Electric Locomotive Co., Ltd.	162,200,000	—
CSR Luoyang Locomotive Co., Ltd.	118,200,000	3,600,000
CSR Ziyang Locomotive Co., Ltd.	78,900,000	20,500,000
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	62,671,768	30,382,962
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	60,150,000	30,000,000
Guangzhou Electrical Locomotive Co., Ltd.	60,000,000	—
CSR Qishuyan Locomotive Co., Ltd.	50,000,000	1,000,000
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	42,000,000	27,600,000
Hunan CSR Times Electric Vehicle Co., Ltd.	19,032,848	250,000
Shijiazhuang King Transportation Equipment Co., Ltd.	5,000,000	—
Nanjing CSR Puzhen Rapid Transit Vehicles Co., Ltd.	2,000,000	—
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	200,000	300,000
Zhuzhou Times New Material Technology Co., Ltd.	100,000	—
CSR Yuchai Sichuan Engine Stock Co., Ltd.	50,000	—
CSR Hangzhou Rail Transit Co., Ltd.	—	2,632,000
CSR Yangtze Co., Ltd.	—	100,000
CSR Zhuzhou Electric Co., Ltd.	—	70,000
	2,249,686,186	1,355,971,193

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

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

	31 December 2014	31 December 2013
Prepayments:		
Dynex Semiconductor	30,832,196	14,692,105
Baoji Times	27,948,800	27,948,800
Guangzhou Times	—	120,450
Xiwu	20,000,000	—
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	866,250	866,250
CSR Zhuzhou Electric Locomotive Co., Ltd.	59,439	157,776
CSR Corporation Limited	40,000	40,000
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	25,820	—
CSR Qishuyan Locomotive Co., Ltd.	12,000	12,000
	79,784,505	43,837,381
	31 December 2014	31 December 2013
Other receivables:		
Times Information	62,220,892	62,220,892
Kunming Electric	47,595,000	45,660,961
Ningbo Electric	15,000,000	15,000,000
Baoji Times	5,229,780	135,229,780
Dynex Semiconductor	1,380,635	—
Guangzhou Times	1,274,424	1,981,163
Shenyang Times	660,061	53,271,860
Times Equipment	185,000	14,368,000
Times USA	27,420	27,420
Hangzhou Electric	—	12,000,000
Ningbo Times	—	1,014,772
Xiangyang CSR Electric Machinery Co., Ltd.	50,000	—
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	4,840	1,633,918
Zhuzhou Siemens	—	40,239
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	—	20,000
	133,628,052	342,469,005
	31 December 2014	31 December 2013
Dividends receivable:		
Times Electronics	30,000,000	50,000,000

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

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

	31 December 2014	31 December 2013
Other current assets:		
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	—	500,000,000
	31 December 2014	31 December 2013
Other non-current assets:		
Dynex Semiconductor	31,000,000	—
	31 December 2014	31 December 2013
Cash and bank deposits:		
CSR Finance Co., Ltd. (Note)	144,985,190	—

Note: As at 31 December 2014, the Company's current deposit with CSR Finance Co., Ltd. is amounted to RMB144,985,190. Pursuant to Financial Services Framework Agreement, the maximum daily deposit balance with CSR Finance Co., Ltd. is no more than RMB350,000,000. The interest rate is no less than the interest rate payable by the principal commercial banks in the PRC for comparable deposits and by CSR Finance Co., Ltd. to other members of the CSR Group for comparable deposits.

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

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

	31 December 2014	31 December 2013
Trade payables:		
Ningbo Times	83,362,067	34,049,267
Hangzhou Electric	49,069,800	52,650,000
Shenyang Times	34,535,070	7,071,192
Times Equipment	31,589,606	32,052,166
Ningbo Electric	17,879,548	30,590,748
Baoji Times	16,885,500	—
Guangzhou Times	15,444,000	9,710,415
Kunming Electric	9,140,866	8,003,511
Qingdao Electric	9,116,000	—
Times Information	6,441,450	65,331,300
Dynex Semiconductor	6,146,531	5,662,122
Times Electronics	471,433	23,761
Shiling	139,594,684	81,603,862
CSR Zhuzhou Electric Co., Ltd.	88,186,736	85,141,692
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	30,529,554	11,953,699
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	23,135,370	16,471,893
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	16,563,089	11,420
Changzhou Ruiyang Transmission Technology Co., Ltd.	8,077,503	5,772,948
CSR Qishuyan Locomotive Co., Ltd.	2,468,743	2,418,798
CSR Zhuzhou Electric Locomotive Co., Ltd.	1,870,422	2,504,153
Zhuzhou Electromechanical Technology Co., Ltd.	1,065,970	1,283,691
Zhuzhou Times New Material Technology Co., Ltd.	366,726	1,403,312
Zhuzhou Gofront Braking Equipment Co., Ltd.	295,176	24,957
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	85,484	240,609
Shijiazhuang King Transportation Equipment Co., Ltd.	34,188	34,188
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	17,208	17,208
Hunan CSR Times Electric Vehicle Co., Ltd.	3,150	956,676
Zhuzhou Times Electric Insulation Co., Ltd.	3,065	3,065
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	2,232	5,110
Xiwu	—	1,133,226
Xiangyang CSR Electric Machinery Co., Ltd.	—	239,790
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	—	15,107
	592,381,171	456,379,886

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

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

	31 December 2014	31 December 2013
Bills payable:		
Ningbo Times	16,000,000	11,000,000
Times Equipment	15,330,000	10,500,000
Baoji Times	—	3,000,000
Shiling	150,000,000	75,000,000
CSR Zhuzhou Electric Co., Ltd.	51,000,000	—
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	42,170,000	558,861
Zhuzhou Electromechanical Technology Co., Ltd.	35,852,220	4,000,000
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	10,000,000	7,000,000
Zhuzhou Times Electric Insulation Co., Ltd.	2,950,000	1,200,000
Changzhou Ruiyang Transmission Technology Co., Ltd.	—	2,000,000
CSR Zhuzhou Electric Locomotive Co., Ltd.	—	657,001
Zhuzhou Times New Material Technology Co., Ltd.	—	340,327
	323,302,220	115,256,189
Advances from customers:		
Dynex Semiconductor	206,892	42,576
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	6,833,747	—
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
	7,040,639	26,270,350

Notes to Financial Statements

31 December 2014

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

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

	31 December 2014	31 December 2013
Other payables:		
Ningbo Times	50,050,000	60,000
Times Equipment	32,709,436	22,828,945
Times Information	16,800,000	—
Dynex Semiconductor	152,328	22,313,303
Guangzhou Times	128,992	—
Times Electronics	55,000	40,000
Baoji Times	25,000	20,000
Kunming Electric	2,851	3,360,448
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	154,992,700	31,566,728
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	1,130,000	930,000
Zhuzhou Electromechanical Technology Co., Ltd.	1,115,194	509,469
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	1,000,000	500,000
Changzhou Ruiyang Transmission Technology Co., Ltd.	500,000	—
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	7,909	604,854
	258,669,410	82,733,747

The Company's bills receivable from and bills payable to related parties are non-interest-bearing, unsecured and have fixed terms of repayment, and other current assets, i.e. entrusted loans, 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.

“Articles”	the Articles of Association of the Company
“Baoji Times”	寶雞南車時代工程機械有限公司 (Baoji CSR Times Engineering Machinery Co. Ltd.), a subsidiary of the Company in which the Company holds 85.8% of its equity interest
“Board” or “Board of Directors”	the board of Directors of the Company
“Bywell Holdings”	Bywell Holdings Limited, a private limited company incorporated in England and Wales, an indirect subsidiary of SMD
“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
“CNR”	中國北車股份有限公司 (China CNR 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”	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
“CSR Finance”	南車財務有限公司 (CSR Finance Co., Ltd.), a company incorporated under the laws of the PRC with limited liability, CSR Finance is held as to 91% by CSR and held as to 9% by CSRG
“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

Glossary

“CSR ZELRI (Hong Kong)”	CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited, a wholly-owned subsidiary of CSR ZELRI
“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 and is a Company’s subsidiary. Dynex Semiconductor Ltd. is its only operating subsidiary and its headquarters are located in Lincoln, England
“Electric Multiple Units”	Electric Multiple Units power converters, auxiliary power supply equipment and control systems
“Group”	the Company and its subsidiaries
“Guangzhou Times”	廣州南車時代電氣技術有限公司 (Guangzhou CSR Times Electric Technology Co., Ltd.), a subsidiary of the Company in which the Company holds 60% of its equity interest
“Hangzhou Electric”	杭州南車電氣設備有限公司(Hangzhou CSR Electric Equipment Co., Ltd.), a subsidiary of the Company in which the Company holds 60% of its equity interest
“HK Electric”	CSR Times Electric (Hong Kong) Co., Limited, a company established under the law of Hong Kong and a wholly-owned subsidiary of the Company
“Hunan CSR Wabtec”	湖南南車西屋軌道交通技術有限公司(Hunan CSR-Wabtec Railway Transportation Technology Co., Ltd.), held as to 50% by the Company and as to 50% by Wabtec China Rail Products & Services Holding Limited
“Kunming 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 Hong Kong 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
“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 (CSRQ Qishuyan Locomotive & Rolling Stock Works), a wholly-owned subsidiary of CSRQ and one of the Promoters
“Qingdao Electric”	青島南車電氣設備有限公司 (Qingdao CSR Electric Equipment Co., Ltd.), held as to 45% by the Company, as to 38% by CSR Sifang, as to 17% by Qingdao Hongda Schnell Science & Technology Co., Ltd.
“Shanghai CSR Railway”	上海南車軌道交通科技有限有限公司 (Shanghai CSR Railway Transportation Technology Co., Ltd.), a subsidiary of the Company in which the Company holds 51% of its equity interest
“Shenyang Times”	瀋陽南車時代交通設備有限公司 (Shenyang CSR Times Transportation Equipment Co., Ltd.), a wholly-owned subsidiary of the Company
“Shiling”	株洲時菱交通設備有限公司 (Zhuzhou Shiling Transportation Equipment Co., Ltd.), held as to 50% by the Company, as to 40% by Mitsubishi Electric Corporation and as to 10% by Mitsubishi Electric (China) Ltd.
“SMD”	Specialist Machine Developments (SMD) Limited, a private limited company incorporated in England and Wales
“SMD Investment”	Specialist Machine Developments (Investment) Limited, a company with limited liability registered in England and Wales, a subsidiary of SMD
“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 2014

Glossary

“Times Australia”	CSR Times Electric Australia Pty. Ltd., a company established under the law of Australia and a wholly-owned subsidiary of the Company
“Times Brasil”	CSR Times Electric Brasil Ltda., a company established under the law of Brasil and a wholly-owned subsidiary of the Company
“Times USA”	CSR Times Electric USA LLC, a company established under the law of America and a wholly-owned subsidiary of the Company
“Times Electronics”	株洲時代電子技術有限公司 (Zhuzhou Times Electronics Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Times Equipment”	株洲時代裝備技術有限責任公司 (Zhuzhou Times Equipment Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Times Information”	北京南車時代信息技術有限公司 (Beijing CSR Times Information Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Times New Materials”	株洲時代新材料科技股份有限公司 (Zhuzhou Times New Materials Technology Co., Ltd.), whose shares are listed on the Shanghai Stock Exchange
“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