THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your H shares in **CSR CORPORATION LIMITED**, you should, immediately, hand this circular, together with the accompanying proxy forms for the CSR EGM and the CSR H Shareholders' Class Meeting and the reply slips for attending the meetings, to the purchaser or transferee, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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The distribution of this circular in certain jurisdictions may be prohibited by law. The securities to be issued pursuant to the Merger have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any State of the United States or any other jurisdiction and may not be offered or sold in the United States, or to or for the account or benefit of any U.S. person, except pursuant to an applicable exemption from, or in a transaction not subject to, registration under the Securities Act. No offer or sale of securities has been or will be registered under the Securities Act or under the applicable securities laws of any other jurisdiction. There will be no public offer of the new securities in the United States or any other jurisdiction.

This circular is for information purposes only and does not constitute an offer or invitation to subscribe for or purchase any securities of **CSR CORPORATION LIMITED**, nor is it calculated to invite any such offer or invitation or a solicitation for any voting right or approval in any jurisdiction.

中國南車股份有限公司
CSR CORPORATION LIMITED

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

(Stock code: 1766)

(1) MERGER OF CSR AND CNR
(2) VERY SUBSTANTIAL ACQUISITION FOR CSR AND VERY SUBSTANTIAL DISPOSAL FOR CNR
(3) MANDATE BY CSR TO ISSUE CSR A SHARES AND CSR H SHARES
(4) PROPOSED CHANGE OF NAME AND STOCK CODES OF THE POST-MERGER NEW COMPANY
(5) APPLICATION FOR WHITEWASH WAIVER
(6) NOTICE OF THE CSR EGM
AND
(7) NOTICE OF THE CSR H SHAREHOLDERS' CLASS MEETING

China International Capital Corporation Hong Kong Securities Limited
Lead Financial Adviser to CSR

Merrill Lynch (Asia Pacific) Limited
Financial Advisor to CSR

Platinum Securities Company Limited

Independent Financial Adviser to CSR Independent Board Committee

A letter from CSR's Board is set out on pages 1 to 46 of this circular. Notices convening the CSR EGM and the CSR H Shareholders' Class Meeting to be held at Empark Grand Hotel, No. 69 Banjing Road, Haidian District, Beijing, the PRC on Monday, 9 March 2015 at in relation to the CSR EGM, 9:30 a.m., and in relation to the CSR H Shareholders' Class Meeting, 11:00 a.m., or immediately following the conclusion of the CSR EGM and CSR A Shareholders' Class Meeting or any adjournment thereof, are set out on pages N-1 to N-9 of this circular. The reply slips and proxy forms for use at the CSR EGM and CSR H Shareholders' Class Meeting are enclosed herewith and also published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and CSR (www.csrgc.com.cn).

Whether or not you are able to attend the CSR EGM and the CSR H Shareholders' Class Meeting, you are reminded to complete, sign and return the reply slips and the proxy forms in accordance with the instructions printed thereon. For holders of CSR H Shares, the reply slips shall be lodged at CSR's H share registrar for H shares, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than twenty (20) days before the holding of the CSR EGM and the CSR H Shareholders' Class Meeting (i.e., Tuesday, 17 February 2015) by hand, by post or by fax. The proxy forms shall be lodged at CSR's H share registrar for H shares, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than twenty-four (24) hours before the holding of the CSR EGM and CSR H Shareholders' Class Meeting. Completion and return of the proxy forms will not preclude you from attending and voting in person at the CSR EGM and the CSR H Shareholders' Class Meeting should you so wish.

21 January 2015

IMPORTANT

NOT FOR DISTRIBUTION TO ANY PERSON RESIDENT OR LOCATED IN THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to this circular dated 21 January 2015 following this disclaimer page and you are therefore advised to read this disclaimer page carefully before accessing, reading or making any other use of this circular. In, and as a result of, accessing this circular you agree, and you are deemed to agree, to be bound by the following terms and conditions.

Nothing in this circular constitutes an offer of, an offer to buy, or a solicitation of an offer to sell, securities in the United States or any other jurisdiction where such offer or sale is not permitted by law. This circular may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever. Any forwarding distribution or reproduction of this circular in whole or in part is unauthorised. No warranty, express or implied, is given by this circular. If you are not the intended recipient, you should not rely on the contents of this circular for any reason. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

The Merger Proposal is not being made, and will not be made, directly or indirectly in or into, or by use of the mail of, or by any means or instrumentality of interstate or foreign commerce of or of any facilities of a national securities exchange of, the United States. This includes, but is not limited to, facsimile transmission, electronic mail, telex, telephone and the internet. Copies of this circular and any other documents or materials relating to the Merger Proposal are not being, and must not be, directly or indirectly mailed or otherwise transmitted, distributed or forwarded (including, without limitation, by custodians, nominees or trustees) in or into the United States. Nothing herein constitutes an offer of, an offer to buy, or a solicitation of an offer to sell, securities in the United States or any other jurisdiction where such offer or sale is not permitted by law. The securities to be issued pursuant to the Merger have not been, and will not be, registered under the Securities Act or the securities laws of any State of the United States or any other jurisdiction and may not be offered or sold in the United States, or to or for the account or benefit of any U.S. person, except pursuant to an exemption from, or in a transaction not subject to, registration under the Securities Act. No offer or sale of securities has been or will be registered under the Securities Act or under the applicable securities laws of any other jurisdiction. There will be no public offer of the new securities in the United States or any other jurisdiction.

Confirmation of your representation: By reading the contents of this circular, you confirm that you are not a resident of, or a person located in, the United States and the electronic address that you provided and to which this email has been delivered is not located in the United States.

EXPECTED TIMETABLE OF THE CSR EGM, THE CSR A SHAREHOLDERS' CLASS MEETING AND THE CSR H SHAREHOLDERS' CLASS MEETING CONVENED FOR CONSIDERING THE MERGER:

Latest time for lodging transfers of CSR H Shares in order to be entitled to attend and vote at the CSR EGM and the CSR H Shareholders' Class Meeting	4:30 p.m. on Friday, 6 February 2015
Closure of registers for transfers of shares for determination of CSR H Shareholders entitled to attend and vote at the CSR EGM and the CSR H Shareholders' Class Meeting	Saturday, 7 February 2015 to Monday, 9 March 2015
Latest time for receiving reply slips for the CSR EGM and the CSR H Shareholders' Class Meeting	Tuesday, 17 February 2015
Latest time for lodging proxy forms in respect of the CSR EGM and the CSR H Shareholders' Class Meeting	Sunday, 8 March 2015
Record date for CSR Shareholders for the CSR EGM and CSR H Shareholders for the CSR H Shareholders' Class Meeting	Monday, 9 March 2015
CSR EGM	9:30 a.m. on Monday, 9 March 2015
CSR A Shareholders' Class Meeting	10:30 a.m., or immediately following the conclusion of the CSR EGM or any adjournment thereof on Monday, 9 March 2015
CSR H Shareholders' Class Meeting	11:00 a.m., or immediately following the conclusion of the CSR EGM and CSR A Shareholders' Class Meeting or any adjournment thereof on Monday, 9 March 2015
Resumption of registers for transfers of shares	9:00 a.m. on Tuesday, 10 March 2015
Issue of notice and announcement to creditors pursuant to PRC Company Law	Within 10 days (for the notice to creditors), and 30 days (for the announcement), following the CSR EGM and the CSR H Shareholders' Class Meeting approving the Merger
End of the period during which repayment of indebtedness is required to be handled pursuant to requests from CSR's creditors	Within 30 days after the issue of notice to creditors or 45 days after the issue of announcement to creditors (whichever is the latest)

LIST OF MAJOR EVENTS LEADING TO IMPLEMENTATION AND COMPLETION OF THE MERGER

CSR and CNR will jointly publish announcement on the date when or as soon as reasonably practicable after all conditions precedent to the Merger Agreement have been satisfied and the conditions to implementing the Merger have been satisfied or waived, as appropriate (the "**Implementation Announcement**").

After publication of the Implementation Announcement and subject to compliance with regulatory requirements and practices, the CSR Put Option Declaration Period and the CNR Put Option Declaration Period will begin for the CSR Dissenting Shareholders and CNR Dissenting Shareholders to exercise the CSR Put Option and CNR Put Option, respectively, by delivering the share certificates for CSR H Shares and CNR H Shares (as the case may be) together with the relevant transfer forms to CSR H Share registrar and CNR H Share registrar, respectively. The detailed arrangements for exercise of the CSR Put Option and CNR Put Option (including without limitation in relation to the CSR Put Option Exercise Date/CNR Put Option Exercise Date, exercise of the CSR Put Option/CNR Put Option and the relevant settlement arrangements) will be separately announced prior to commencement of the implementation of the CSR Put Option and CNR Put Option.

The share exchange to implement the Merger will commence immediately after completion of the implementation of the CSR Put Option and CNR Put Option. Separate announcement(s) will be published in relation to the share exchange arrangements.

WARNING

CSR Shareholders, CNR Shareholders and potential investors in CSR Securities and/or CNR Securities should be aware that the Merger is subject to the conditions set out in this circular being satisfied or waived, as applicable, and neither CSR nor CNR provides any assurance that any or all conditions can be satisfied, and thus the Merger Agreement may or may not become effective or, if effective, may or may not be implemented or completed. CSR Shareholders, CNR Shareholders and potential investors in CSR Securities and/or CNR Securities should therefore exercise caution when dealing in CSR H Shares or CNR H Shares. Persons who are in doubt as to the action should consult their licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

ACTION TO BE TAKEN BY CSR H SHAREHOLDERS

CSR H Shareholders who have been registered as holders of CSR H Shares on the register of members of CSR kept by the registrar of H shares by close of business on Friday, 6 February 2015 and who have completed all necessary registration procedures will be entitled to attend the CSR EGM and the CSR H Shareholders' Class Meeting.

Whether or not you intend to attend the CSR EGM or the CSR H Shareholders' Class Meeting, you are strongly urged to complete and return the proxy forms in accordance with the instructions printed thereon. The proxy forms should be returned as soon as possible (but in any event not less than 24 hours before the appointed time for holding the relevant meetings or any adjournment thereof). After completion and return of the proxy forms, you may still attend and vote at the relevant meetings should you so wish. A drop box service will be available for CSR Shareholders to lodge their proxy forms at CSR's share registrar for H shares, Computershare Hong Kong Investor Services Limited, on Sunday, 8 March 2015.

If you are eligible and intend to attend the relevant meetings, please complete and return the relevant reply slips in accordance with the instructions printed thereon. Reply slips should be returned as soon as possible (but in any event not later than 20 days before the scheduled date for holding the relevant meetings or any adjournment thereof).

CSR H Shareholders whose names are on the H share register of members of CSR at the close of business on Friday, 6 February 2015 will be entitled to attend the CSR EGM and the CSR H Shareholders' Class Meeting when they have completed all necessary registration procedures. The register of members of CSR H Shareholders will be closed from Saturday, 7 February 2015 to Monday, 9 March 2015 (such dates inclusive), during which no registration of transfers of CSR H Shares will be processed. If applicable, CSR H Shareholders intending to attend the CSR EGM and the CSR H Shareholders' Class Meeting must lodge their respective transfer documents and relevant share certificates with CSR's share registrar for H shares, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. Friday, 6 February 2015.

An announcement will be made by CSR in relation to the results of the CSR EGM and the CSR H Shareholders' Class Meeting. Further announcement(s) will be made before/after the satisfaction or waiver, as appropriate, of the conditions to becoming effective and implementation conditions to the Merger Agreement.

ACTION TO BE TAKEN BY CSR DISSENTING SHAREHOLDERS HOLDING CSR H SHARES TO EXERCISE THE CSR PUT OPTION

In order to protect the interests of CSR Dissenting Shareholders, CSR will grant the CSR Put Option to CSR Dissenting Shareholders.

If the conditions for the Merger Agreement to becoming effective or the conditions to implementation fail to be fully satisfied or appropriately waived by CSR and CNR, which results in the failure of implementing the Merger, CSR Dissenting Shareholders holding CSR H Shares shall have no right to exercise the CSR Put Option.

Entitlement to Exercise the CSR Put Option

The CSR Dissenting Shareholders holding CSR H Shares who have satisfied all of the following conditions are entitled to exercise the CSR Put Option: (i) having cast Effective Dissenting Votes in respect of each of the resolutions regarding the Merger Proposal and the ratification of the Merger Agreement between the parties in relation to the Merger at the CSR EGM and the CSR H Shareholders' Class Meeting; (ii) having been registered on CSR's register of shareholders since the date of record of the CSR EGM and the CSR H Shareholders' Class Meeting, and having held CSR H Shares which are entitled to the proposed exercise of the CSR Put Option from such date of record until the CSR Put Option Exercise Day; and (iii) having fulfilled filing procedures for the exercise of the CSR Put Option during the CSR Put Option Declaration Period.

The CSR Dissenting Shareholders falling within the following circumstances are not entitled to exercise the CSR Put Option in respect of the relevant CSR Shares: (i) holding CSR Shares with Share Restrictions; (ii) having undertaken to CSR that he/she will surrender the CSR Put Option; (iii) being a director, supervisor or a member of the senior management of CSR; or (iv) being not permitted to exercise the CSR Put Option pursuant to applicable laws and regulations.

The CSR Dissenting Shareholders who Exercise the Put Option in respect of CSR H Shares will be entitled, on the CSR Put Option Exercise Day, to receive cash by way of cheque remittance from the CSR Put Option Providers for the CSR H Shares that have been validly declared in accordance with the Merger Agreement and Merger Proposal. The cash amount has been determined in accordance with the volume-weighted average prices of CSR H Shares on the Hong Kong Stock Exchange for the 20 trading days immediately prior to and including the Last Trading Date, and is HK$7.32 per CSR H Share. The CSR Dissenting Shareholders who Exercise the Put Option in respect of CSR H Shares will transfer their CSR H Shares to the CSR Put Option Providers.

CSR will arrange the CSR Put Option Providers to acquire the CSR H Shares from the CSR Dissenting Shareholders holding CSR H Shares at the abovementioned cash consideration. The CSR Dissenting Shareholders who Exercise the Put Option in resepct of CSR H Shares shall have no right to exercise any put option against CSR or any CSR Shareholder who has voted in favour of the Merger.

Procedures for Exercising the CSR Put Option

The detailed arrangements for exercise of the CSR Put Option (including without limitation in relation to the CSR Put Option Exercise Day, exercise of the CSR Put Option and the relevant settlement and closing of shares) will be determined by CSR and the CSR Put Option Providers and will be announced in accordance with the applicable laws and regulations and the rules of the SSE and the Hong Kong Stock Exchange.

EXERCISE YOUR RIGHT TO VOTE

If you are a CSR H Shareholder or a beneficial owner of CSR H Shares, CSR strongly encourages you to exercise your right to vote or give instructions to the relevant registered owner to vote in person or by proxy at the CSR EGM and the CSR H Shareholders' Class Meeting. If you keep any CSR H Shares in a share lending programme or a custodian account, CSR urges you to recall any outstanding CSR H Shares on loan or require your custodian to recall any such shares on loan to avoid market participants using borrowed stock to vote.

If you are a beneficial owner whose CSR H Shares are deposited in CCASS, CSR encourages you to provide HKSCC with instructions or make arrangements with HKSCC in relation to the manner in which those shares should be voted at the CSR EGM and the CSR H Shareholders' Class Meeting without delay (as detailed in the section "Letter from CSR's Board — 26. CSR EGM and CSR H Shareholders' Class Meeting").

If you are a registered owner holding CSR H Shares on behalf of beneficial owners, CSR would be grateful if you would inform the relevant beneficial owners about the importance of exercising their vote.

If you are in doubt as to the action to be taken, you are encouraged to consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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In this circular, unless the context otherwise requires, the following expressions have the meanings set out below:

associate(s)	has the meaning given to it in the Hong Kong Listing Rules;
BofAML Group	means Merrill Lynch (Asia Pacific) Limited and its related entities presumed to be acting in concert with CSR under class (5) of the definition of "acting in concert" in the Takeovers Code;
Business Day	means a day on which the Hong Kong Stock Exchange and the SSE is open for the transaction of business;
Closing Date	means the later of the A Share Share Exchange Date and the H Share Share Exchange Date, or such other date as agreed by CSR and CNR;
CCASS	means the Central Clearing and Settlement System established and operated by the HKSCC;
China Reform Corporation	means 中國國新控股有限責任公司 (China Reform Corporation Ltd.), a company established in the PRC on 22 December 2010 under the approval of the State Council, managed by SASAC and mainly engaged in the operation and management of state-owned assets;
CICC Group	means China International Capital Corporation Hong Kong Securities Limited and its related entities presumed to be acting in concert with CSR under class (5) of the definition of "acting in concert" in the Takeovers Code;
CNR	means 中國北車股份有限公司 (China CNR Corporation Limited), a joint stock limited company incorporated in the PRC with limited liability, whose H shares and A shares are listed and traded on the Hong Kong Stock Exchange and the SSE, respectively;
CNR A Shareholders	means the holders of CNR A Share(s);

CNR A Shareholders' Class Meeting	means CNR's class meeting to be convened on Monday, 9 March 2015 at 10:30 a.m., or immediately following the conclusion of the CNR EGM or any adjournment thereof, for CNR A Shareholders, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger Proposal and the relevant arrangements;
CNR A Shares	means the ordinary shares issued by CNR, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in RMB and are listed and traded on the SSE;
CNR Director(s)	means CNR's director(s);
CNR Dissenting Shareholder	means any CNR Shareholder who has cast Effective Dissenting Votes in respect of each of the resolutions regarding the Merger Proposal and the ratification of the Merger Agreement between the parties in relation to the Merger at the CNR EGM and the CNR A Shareholders' Class Meeting or the CNR H Shareholders' Class Meeting (as the case may be);
CNR Dissenting Shareholder who Exercises the Put Option	means any CNR Dissenting Shareholder who: (i) has been registered on CNR's register of shareholders since the date of record of the CNR EGM, the CNR A Shareholders' Class Meeting and the CNR H Shareholders' Class Meeting, and has held CNR Shares which are entitled to the proposed exercise of the CNR Put Option from such date of record until the CNR Put Option Exercise Day; and (ii) has fulfilled filing procedures which are required by CNR for the exercise of the CNR Put Option during the CNR Put Option Declaration Period; and excluding the following: (i) any CNR Shareholder who is a director, supervisor or a member of the senior management of CNR; (ii) any CNR Shareholder who holds CNR Shares with Share Restrictions;

	(iii) any CNR Shareholder who has undertaken to CNR that he/she will surrender the CNR Put Option; or (iv) any CNR Shareholder who is not permitted to exercise the CNR Put Option pursuant to applicable laws and regulations;
CNR EGM	means CNR's extraordinary general meeting to be convened on Monday, 9 March 2015 at 9:30 a.m., or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger Proposal and the relevant arrangements;
CNR Group	means CNR and its subsidiaries;
CNR H Shareholders	means the holders of CNR H Shares;
CNR H Shareholders' Class Meeting	means CNR's class meeting to be convened on Monday, 9 March 2015 at 11:00 a.m., or immediately following the conclusion of the CNR EGM and the CNR A Shareholders' Class Meeting or any adjournment thereof, for CNR H Shareholders, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger Proposal and relevant arrangements;
CNR H Shares	means the ordinary shares issued by CNR, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in Hong Kong dollars and are listed and traded on the Hong Kong Stock Exchange;
CNR Independent Board Committee	means CNR's independent board committee established by CNR for the purposes of considering the Merger, which comprises all of CNR's independent non-executive directors, being Mr. Li Fenghua, Mr. Zhang Zhong, Ms. Shao Ying and Mr. Sun Patrick;
CNR Independent Financial Adviser	means Somerley Capital Limited, a corporation licensed to carry out Type 1 (Dealing in securities) and Type 6 (Advising on corporate finance) regulated activities as defined under the SFO, which is appointed to act as the independent financial adviser to the CNR Independent Board Committee;

CNR Put Option	means the right granted by CNR to CNR Dissenting Shareholders, being that after the Merger becomes unconditional CNR Dissenting Shareholders who Exercise the Put Option may, pursuant to the Merger Proposal and during the CNR Put Option Declaration Period, require the CNR Put Option Providers to pay cash consideration for all or part of the CNR A Shares or CNR H Shares held by such shareholders in return for transferring such shares to the CNR Put Option Providers;
CNR Put Option Declaration Period	means the period during which CNR Dissenting Shareholders may declare to exercise their CNR Put Option, which will be decided and announced by CNR;
CNR Put Option Exercise Day	means the date on which the CNR Put Option Providers pay cash consideration to CNR Dissenting Shareholders who Exercise the Put Option and have the CNR A Shares and CNR H Shares held and effectively declared by such shareholders transferred to them, which will be decided and announced by CNR;
CNR Put Option Providers	means (i) in relation to CNR A Shares, SDIC and China Reform Corporation, or their respective wholly-owned domestic subsidiaries, who will pay CNR Dissenting Shareholders who Exercise the Put Option RMB5.92 per CNR A Share in cash, or (ii) in relation to CNR H Shares, SDIC and China Reform Corporation, or their respective wholly-owned overseas subsidiaries, who will pay CNR Dissenting Shareholders who Exercise the Put Option HK$7.21 per CNR H Share in cash, in each case on or about the CNR Put Option Exercise Day, in order to have all or part of the CNR A Shares or CNR H Shares held by such shareholders transferred to them;
CNR Securities	means CNR Shares, outstanding options to acquire CNR Shares granted under the CNR Share Option Scheme and any other options, derivatives, warrants or other securities convertible or exchangeable into CNR Shares which are issued by CNR;

CNR Share Option Scheme	means the share option scheme adopted by CNR on 26 October 2012 for grant of share options to the participants to subscribe for CNR A Shares;
CNR Share-Exchange Shareholder(s)	means CNR Shareholders who are registered on the register of shareholders after market closes on the Record Date for Share Exchange, including CNR Shareholders who do not declare, or are ineligible to declare, or invalidly declare to exercise the CNR Put Option, and the CNR Put Option Providers;
CNR Shareholders	means CNR A Shareholders and CNR H Shareholders;
CNR Shares	means CNR A Shares and CNR H Shares;
CNR's Articles of Association	means the articles of association of CNR;
CNR's Board	means CNR's board of directors;
CNRG	means 中國北方機車車輛工業集團公司 (China Northern Locomotive and Rolling Stock Industry (Group) Corporation), a wholly state-owned enterprise and CNR's controlling shareholder, which directly and indirectly holds approximately 54.65% of CNR's issued share capital as at the Latest Practicable Date;
CNRG Securities	means any instrument representing equity interests in CNRG, and other options, derivatives, warrants or other securities convertible or exchangeable into instruments representing equity interests in CNRG which are issued by CNRG;
connected person(s)	has the meaning given to it in the Hong Kong Listing Rules;
controlling shareholder(s)	has the meaning given to it in the Hong Kong Listing Rules;
CSR	means 中國南車股份有限公司 (CSR CORPORATION LIMITED), a joint stock limited company incorporated in the PRC with limited liability, whose H shares and A shares are listed and traded on the Hong Kong Stock Exchange and the SSE, respectively;
CSR A Shareholders	means the holders of CSR A Shares;

CSR A Shareholders' Class Meeting	means CSR's class meeting to be convened on Monday, 9 March 2015 at 10:30 a.m., or immediately following the conclusion of the CSR EGM or any adjournment thereof, for CSR A Shareholders, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger Proposal and relevant arrangements;
CSR A Shares	means the ordinary shares issued by CSR, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in RMB and are listed and traded on the SSE;
CSR Director(s)	means CSR's director(s);
CSR Dissenting Shareholder	means any CSR Shareholder who has cast Effective Dissenting Votes in respect of each of the resolutions regarding the Merger Proposal and the ratification of the Merger Agreement between the parties in relation to the Merger at the CSR EGM and the CSR A Shareholders' Class Meeting or the CSR H Shareholders' Class Meeting (as the case may be);
CSR Dissenting Shareholder who Exercises the Put Option	means any CSR Dissenting Shareholder who: (i) has been registered on CSR's register of shareholders since the date of record of the CSR EGM, the CSR A Shareholders' Class Meeting and the CSR H Shareholders' Class Meeting, and has held CSR Shares which are entitled to the proposed exercise of the CSR Put Option from such date of record until the CSR Put Option Exercise Day; and (ii) has fulfilled filing procedures which are required by CSR for the exercise of the CSR Put Option during the CSR Put Option Declaration Period; and excluding the following: (i) any CSR Shareholder who is a director, supervisor or a member of the senior management of CSR; (ii) any CSR Shareholder who holds CSR Shares with Share Restrictions;

	(iii) any CSR Shareholder who has undertaken to CSR that he/she will surrender the CSR Put Option; or
	(iv) any CSR Shareholder who is not permitted to exercise the CSR Put Option pursuant to applicable laws and regulations;
CSR EGM	means CSR's extraordinary general meeting to be convened on Monday, 9 March 2015 at 9:30 a.m., or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger Proposal, the Whitewash Waiver and the relevant arrangements;
CSR Group	means CSR and its subsidiaries;
CSR H Shareholders	means the holders of CSR H Shares;
CSR H Shareholders' Class Meeting	means CSR's class meeting to be convened on Monday, 9 March 2015 11:00 a.m., or immediately following the conclusion of the CSR EGM and the CSR A Shareholders' Class Meeting or any adjournment thereof, for CSR H Shareholders, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger Proposal and relevant arrangements;
CSR H Shares	means the ordinary shares issued by CSR, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in Hong Kong dollars and are listed and traded on the Hong Kong Stock Exchange;
CSR Independent Board Committee	means CSR's independent board committee established by CSR for the purposes of considering the Merger Proposal and the Whitewash Waiver, which comprises CSR's non-executive director, being Mr. Liu Zhiyong, and all of CSR's independent non-executive directors, being Mr. Li Guo'an, Mr. Wu Zhuo and Mr. Chan Ka Keung, Peter;

CSR Independent Financial Adviser	means Platinum Securities Company Limited, a company licensed to carry out Type 1 (Dealing in securities) and Type 6 (Advising on corporate finance) of the regulated activities as defined under the SFO, which is appointed to act as the independent financial adviser to the CSR Independent Board Committee;
CSR Put Option	means the right granted by CSR to CSR Dissenting Shareholders, being that after the Merger becomes unconditional CSR Dissenting Shareholders who Exercise the Put Option may, pursuant to the Merger Proposal and during the CSR Put Option Declaration Period, require the CSR Put Option Providers to pay cash consideration for all or part of the CSR A Shares or CSR H Shares held by such shareholders in return for transferring such shares to the CSR Put Option Providers;
CSR Put Option Declaration Period	means the period during which CSR Dissenting Shareholders may declare to exercise their CSR Put Option, which will be decided and announced by CSR;
CSR Put Option Exercise Day	means the date on which the CSR Put Option Providers pay cash consideration to CSR Dissenting Shareholders who Exercise the Put Option and have the CSR A Shares and CSR H Shares held and effectively declared by such shareholders transferred to them, which will be decided and announced by CSR;
CSR Put Option Providers	means (i) in relation to CSR A Shares, SDIC and China Reform Corporation, or their respective wholly-owned domestic subsidiaries, who will pay CSR Dissenting Shareholders who Exercise the Put Option RMB5.63 per CSR A Share in cash, or (ii) in relation to CSR H Shares, SDIC and China Reform Corporation, or their respective wholly-owned overseas subsidiaries, who will pay CSR Dissenting Shareholders who Exercise the Put Option HK$7.32 per CSR H Share in cash, in each case on or about the CSR Put Option Exercise Day, in order to have all or part of the CSR A Shares or CSR H Shares held by such shareholders transferred to them;

CSR Securities	means CSR Shares, outstanding options to acquire CSR Shares granted under the CSR Share Option Scheme and any other options, derivatives, warrants or other securities convertible or exchangeable into CSR Shares which are issued by CSR;
CSR Share Option Scheme	means the share option scheme adopted by CSR on 26 April 2011 for grant of share options to the participants to subscribe for CSR A Shares;
CSR Shareholders	means CSR A Shareholders and CSR H Shareholders;
CSR Shares	means CSR A Shares and CSR H Shares;
CSR's Articles of Association	means the articles of association of CSR;
CSR's Board	means CSR's board of directors;
CSRC	means the China Securities Regulatory Commission;
CSRG	means 中國南車集團公司 (CSR Group), a wholly state-owned enterprise and CSR's controlling shareholder, which directly and indirectly holds approximately 57.15% of CSR's issued share capital as at the Latest Practicable Date;
CSRG Securities	means any instrument representing equity interests in CSRG, and other options, derivatives, warrants or other securities convertible or exchangeable into instruments representing equity interests in CSRG which are issued by CSRG;
Effective Dissenting Votes	means any dissenting votes in relation to the Merger effectively cast by a shareholder in accordance with CSR's Articles of Association or CNR's Articles of Association (as the case may be) and relevant laws and regulations through either voting at the shareholders' meeting or voting via the online voting platform provided for CSR A Shareholders and CNR A Shareholders;
Exchange Ratio	means the ratio of 1.10 CSR A Shares being issued by CSR in exchange for each CNR A Share, and 1.10 CSR H Shares being issued by CSR in exchange for each CNR H Share, under the Merger Proposal;

Executive	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
HK$	means Hong Kong dollars, the lawful currency of Hong Kong;
HKSCC	means Hong Kong Securities Clearing Company Limited;
Hong Kong	means the Hong Kong Special Administrative Region of the People's Republic of China;
Hong Kong Listing Rules	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
Hong Kong Stock Exchange	means The Stock Exchange of Hong Kong Limited;
IFRS	means the International Financial Reporting Standards issued by the International Accounting Standards Committee, which includes international accounting standards as well as the amendments and interpretations thereto;
Joint Announcement	means the announcement jointly published by CSR and CNR dated 30 December 2014, which states, amongst other things, the proposal of the Merger of CSR and CNR in accordance with the Merger Agreement;
Last Trading Date	means 24 October 2014, the last trading day prior to the suspension of trading in the A shares and H shares of CSR and CNR on the SSE and the Hong Kong Stock Exchange respectively pending the issue of the Joint Announcement;
Latest Practicable Date	means Friday, 16 January 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;

Merger	means the merger to be implemented in accordance with the terms of the Merger Agreement and the principles of a merger of equals, focusing on the future and ensuring the Merger is carried out in compliance with regulations, and by CSR technically merging with CNR through absorption, and under which the Post-Merger New Company will hold all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR and CNR, thereby achieving a merger of equals;
Merger Agreement	means the merger agreement entered into between CSR and CNR on 30 December 2014 in relation to the Merger;
Merger Proposal	means the proposal regarding the Merger of CSR and CNR, the main contents of which are set out in the section of this circular headed "Letter from CSR's Board: 3. Merger Proposal";
OFAC	means the Office of Foreign Assets Control of the U.S. Department of Treasury;
Post-Merger New Company	means the merged company of CSR and CNR after implementation of the Merger;
Post-Merger New Group or Enlarged Group	means the Post-Merger New Company and its subsidiaries;
PRC Company Law	means the Company Law of the PRC;
PRC GAAP	means the PRC Generally Accepted Accounting Principles;
PRC or China	means the People's Republic of China, which in this circular does not include Hong Kong, the Macau Special Administrative Region or Taiwan unless the context otherwise specifies;
Record Date for Share Exchange	means the trading day of the SSE and the Hong Kong Stock Exchange, to be decided and announced by CSR and CNR, on which a list of CNR Shareholders who are eligible to participate in the share-exchange and the number of shares held by such shareholders will be confirmed;

Relevant Period	means the period commencing from 30 June 2014 (i.e., the date that is 6 months prior to the publishing date of the Joint Announcement) and ending on the Latest Practicable Date;
RMB	means Renminbi, the lawful currency of the PRC;
SAIC	means the State Administration for Industry and Commerce of the People's Republic of China;
SASAC	means the State-owned Assets Supervision and Administration Commission of the State Council;
SDIC	means 國家開發投資公司 (State Development and Investment Corporation), a company established in the PRC on 5 May 1995 and a state-owned investment holding company established under the approval of the State Council and mainly engages in investment in policy construction projects;
SFC	means the Securities and Futures Commission of Hong Kong;
SFO	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as revised, supplemented or otherwise modified from time to time);
Share Exchange Date	with respect to A shares means the date, to be decided and announced by CSR and CNR, on which CNR Share-Exchange Shareholders convert the CNR A Shares held by them into CSR A Shares according to the Exchange Ratio, being the "**A Share Share Exchange Date**"; with respect to H shares means the date, to be decided and announced by CSR and CNR, on which CNR Share-Exchange Shareholders convert the CNR H Shares held by them into CSR H Shares according to the Exchange Ratio, being the "**H Share Share Exchange Date**";
Share Restrictions	means shares held by shareholders that are subject to ownership disputes, pledges, freezing orders, sealing-up orders or other restrictions on transfer under applicable laws;
SSE	means the Shanghai Stock Exchange;

SSE Listing Rules	means the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange;
substantial shareholder(s)	has the meaning given to it in the Hong Kong Listing Rules;
Takeovers Code	means the Codes on Takeovers and Mergers and Share Buy-backs published by the SFC (as revised, supplemented or otherwise modified from time to time);
Times Electric	means 株洲南車時代電氣股份有限公司 (Zhuzhou CSR Times Electric Co., Ltd.), a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed and traded on the Hong Kong Stock Exchange (stock code: 3898) and which is an indirectly-controlled subsidiary of CSR;
Times New Material	means 株洲時代新材料科技股份有限公司 (Zhuzhou Times New Material Technology Co., Ltd.), a joint stock limited company incorporated in the PRC with limited liability, whose A shares are listed and traded on the SSE (stock code: 600458) and which is an indirectly-controlled subsidiary of CSR;
trading day	with respect to A shares, means a day on which the SSE is open for dealing or trading in securities, and with respect to H shares, means a day on which the Hong Kong Stock Exchange is open for dealing or trading in securities;
Transitional Period	means the period between signing of the Merger Agreement and the Closing Date;
UBS Entities	means UBS Group and UBSS;
UBS Group	means UBS AG Hong Kong Branch and those persons controlling, controlled or under the same control as it under class (2) of the definition of "associate" in the Takeovers Code;

UBSS	means 瑞銀証券有限責任公司 (UBS Securities Co. Limited), a limited liability company incorporated in the PRC, being the financial adviser to CNR in respect of PRC financial advisory matters and presumed to be an associate of CNR under class (2) of the definition of "associate" in the Takeovers Code;
United States or U.S.	means the United States of America;
Whitewash Waiver	means a waiver from the obligation of CSRG, CNRG and/or any successor entity resulting from the merger of CSRG and CNRG and their respective concert parties to make a mandatory general offer under Rule 26 of the Takeovers Code for the issued shares in the Post-Merger New Company not already owned by them as a result of and after either: (i) completion of the Merger; or (ii) any future possible merger of CSRG and CNRG, granted by the Executive pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code; and
%	means per cent.

In this circular: (i) all figures have been rounded to the nearest two decimal places; (ii) for illustration purposes, an exchange rate of HK$1.00 to RMB0.78934 has been applied, being the rate set by the People's Bank of China for foreign exchange transactions prevailing as at the Latest Practicable Date; and (iii) for the avoidance of doubt, references to "not less than" a figure and "not more than" a figure shall include the figure mentioned.

中國南車股份有限公司
CSR CORPORATION LIMITED

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

(Stock code: 1766)

Executive Directors:
Mr. Zheng Changhong
Mr. Liu Hualong
Mr. Fu Jianguo

Non-executive Director:
Mr. Liu Zhiyong

Independent Non-executive Directors:
Mr. Li Guo'an
Mr. Wu Zhuo
Mr. Chan Ka Keung, Peter

Registered Office:
No. 16, Central West Fourth Ring Road
Haidian District
Beijing, China
Zip Code: 100036

Principal Place of Business in Hong Kong:
Unit H, 41/F
Office Tower, Convention Plaza
No.1, Harbour Road
Hong Kong

21 January 2015

Dear Sir or Madam,

(1) MERGER OF CSR AND CNR
(2) VERY SUBSTANTIAL ACQUISITION FOR CSR AND VERY SUBSTANTIAL DISPOSAL FOR CNR
(3) MANDATE BY CSR TO ISSUE CSR A SHARES AND CSR H SHARES
(4) PROPOSED CHANGE OF NAME AND STOCK CODES OF THE POST-MERGER NEW COMPANY
(5) APPLICATION FOR WHITEWASH WAIVER
(6) NOTICE OF THE CSR EGM
AND
(7) NOTICE OF THE CSR H SHAREHOLDERS' CLASS MEETING

1 INTRODUCTION

In order to promote the prosperous development of the global rolling stock manufacturing industry, CSR and CNR published the Joint Announcement dated 30 December 2014 announcing that the two companies have entered into a Merger Agreement with respect to the Merger Proposal. Guided by the principles of a merger of equals, focusing on the future and ensuring

the Merger is carried out in compliance with regulations, CSR proposes to merge with CNR by way of absorption and a share for share exchange. Through the Merger, CSR and CNR propose to build jointly a brand-new, multinational world-leading supplier of high-end equipment and systems solutions with rolling stock at its core. The Merger is expected to improve efficiency in the use of resources, effectively reduce operating costs and realize the internationalization strategy, thereby promoting competition globally. On implementation, the Merger Proposal will involve a merger by absorption by CSR issuing, on the basis of a single Exchange Ratio, approximately but not more than 11,138,692,293 CSR A Shares and 2,347,066,040 CSR H Shares to holders of CNR A Shares and CNR H Shares respectively in exchange for all of the issued shares of CNR. Following completion of the Merger, the Post-Merger New Company will be renamed 中國中車股份有限公司 (CRRC Corporation Limited) (subject to the approval of SAIC and the registration with the Hong Kong Companies Registry), will change its stock names and stock codes used on the Hong Kong Stock Exchange (which are subject to the approval of the Hong Kong Stock Exchange) and the SSE (which are subject to further feasibility discussions) and will implement a series of measures to establish a new corporate governance and management structure, development strategy and corporate culture. The Post-Merger New Company will hold all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR and CNR.

The purpose of this circular is to provide you with, amongst other things:

(i) further details in respect of the proposed Merger;

(ii) relevant information in relation to the Post-Merger New Company, including the proposed new company name, as well as the proposed overseas risk-control measures to be adopted; and

(iii) a notice for the CSR EGM and the CSR H Shareholders' Class Meeting to be convened to consider and, if thought fit, approve the Merger Agreement, the Merger Proposal, the Whitewash Waiver and the relevant arrangements.

2 BACKGROUND INFORMATION OF THE MERGER

Both CSR and CNR are among the major rolling stock manufacturers and solution providers in the world. They are also the leading enterprises in China's rolling stock manufacturing industry.

(1) Overview of CSR

CSR is a listed company with its shares listed separately on the SSE (as A shares) and the Hong Kong Stock Exchange (as H shares) since 18 August 2008 and 21 August 2008, respectively. As at the Latest Practicable Date, CSR has issued 13,803,000,000 shares in total, including 2,024,000,000 CSR H Shares and 11,779,000,000 CSR A Shares. Save for the CSR Share Option Scheme, there are no share options, derivatives, warrants or any other securities which are convertible or exchangeable into CSR Shares. CSRG is the controlling shareholder of CSR and directly and indirectly held approximately 57.15% of the equity interests in CSR as at the Latest Practicable Date, while the other CSR A Shareholders and CSR H Shareholders hold approximately 28.18% and approximately 14.66% equity interests in CSR, respectively. CSR engages primarily in the research and development, manufacturing, sale, refurbishment and leasing of locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key components, as well as in other extended businesses that utilise proprietary rolling stock technologies. As at the Latest Practicable Date, CSR has 21 directly-held subsidiaries that are wholly owned or controlled by it. In addition to the above, Times Electric (stock code: 3898) and Times New Material (stock code: 600458) are indirectly-held subsidiaries of CSR, and are listed on the Hong Kong Stock Exchange and the SSE, respectively.

According to CSR's consolidated financial statements prepared in accordance with the IFRS, CSR's major financial data are as follows:

	2011 *(RMB million) (Audited)*	**2012** *(RMB million) (Audited)*	**2013** *(RMB million) (Audited)*	**Six Months Ended 30 June 2014** *(RMB million) (Unaudited)*
Total assets	92,786	105,217	121,129	142,306
Revenue	79,517	89,019	96,525	49,771
Net profit attributable to owners of the company	3,864	4,009	4,140	2,062

According to CSR's consolidated financial statements prepared in accordance with the IFRS, CSR's profits before tax and profits after tax for the financial year ended 31 December 2012 were RMB5,593 million and RMB4,852 million, respectively. CSR's profits before tax and profits after tax for the financial year ended 31 December 2013 were RMB5,933 million and RMB5,074 million, respectively. CSR's net assets were RMB47,257 million as at 30 June 2014.

(2) Overview of CNR

CNR is a listed company with its A shares listed on the SSE since 29 December 2009 and its H shares listed on the Hong Kong Stock Exchange since 22 May 2014. As at the Latest Practicable Date, CNR has issued 12,259,780,303 shares in total, including 2,133,696,400 CNR H Shares and 10,126,083,903 CNR A Shares. Save for the CNR Share Option Scheme, there are no share options, derivatives, warrants or any other securities which are convertible or exchangeable into CNR Shares. CNRG is the controlling shareholder of CNR and directly and indirectly held approximately 54.65% of the equity interests in CNR as at the Latest Practicable Date, while the other CNR A Shareholders and CNR H Shareholders hold approximately 27.95% and approximately 17.40% equity interests in CNR, respectively. CNR's primary businesses are research and development, manufacturing, refurbishment, technology services and leasing of various products such as rolling stock (including multiple units and rapid transit vehicles), mechanical and electric equipment, environmental protection equipment and ancillary components. As at the Latest Practicable Date, CNR has 29 directly-held subsidiaries that are wholly owned or controlled by it.

According to CNR's consolidated financial statements prepared in accordance with the IFRS, CNR's major financial data are as follows:

	2011 *(RMB million) (Audited)*	**2012** *(RMB million) (Audited)*	**2013** *(RMB million) (Audited)*	**Six Months Ended 30 June 2014** *(RMB million) (Unaudited)*
Total assets	97,366	106,582	120,159	148,941
Revenue	88,811	91,798	96,756	38,654
Net profit attributable to owners of the company	3,025	3,431	4,129	2,323

According to CNR's consolidated financial statements prepared in accordance with the IFRS, CNR's profits before tax and profits after tax for the financial year ended 31 December 2012 were RMB4,187 million and RMB3,584 million, respectively. CNR's profits before tax and profits after tax for the financial year ended 31 December 2013 were RMB5,099 million and RMB4,226 million, respectively. CNR's net assets were RMB47,491 million as at 30 June 2014.

(3) History and Reorganization of CSR and CNR

CSR and CNR's respective controlling shareholders, CSRG and CNRG, were both demerged and reorganised from the former 中國鐵路機車車輛工業總公司 (China National Railways Locomotive and Rolling Stock Industrial Corporation).

The former Industrial Bureau of the Ministry of Railways was established in October 1949. In February 1986, the Ministry of Railways established 鐵道部機車車輛工業總公司 (MOR Locomotive and Rolling Stock Industrial Corporation) to take over the role of the Industrial Bureau of the Ministry of Railways, which was renamed 中國鐵路機車車輛工業總公司 (China National Railways Locomotive and Rolling Stock Industrial Corporation) in 1989. In November 2000, China National Railways Locomotive and Rolling Stock Industrial Corporation demerged and reorganised into CSRG and CNRG, each of which was then formally registered with the SAIC in July 2002.

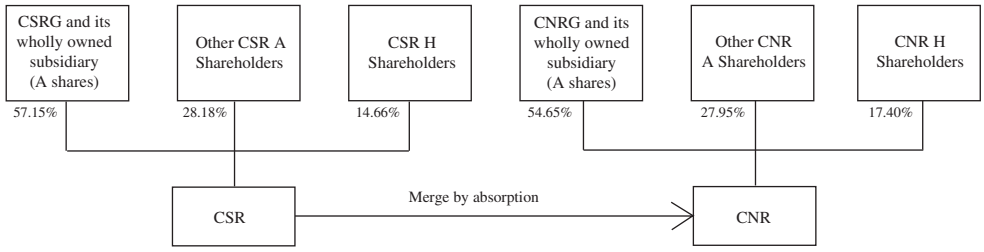
CSRG established CSR on 28 December 2007. In August 2008, CSR was listed on the SSE and the Hong Kong Stock Exchange, respectively.

CNRG established CNR on 26 June 2008. CNR was listed on the SSE in December 2009 and on the Hong Kong Stock Exchange in May 2014.

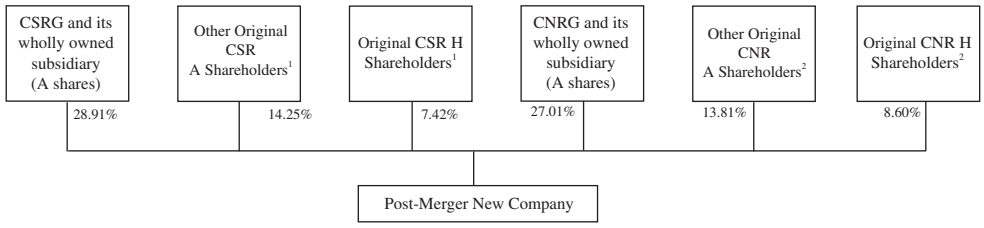
(4) Shareholding Structure Chart before and after the Merger

CSR and CNR propose to implement the Merger by way of a merger by absorption and share-exchange on the basis of a 'merger of equals'. CSR will issue CSR A Shares and CSR H Shares to CNR Share-Exchange Shareholders to merge with CNR by absorption. Upon completion of the Merger, the Post-Merger New Company will be renamed 中國中車股份有限公司 (CRRC Corporation Limited) (subject to the approval of SAIC and the registration with the Hong Kong Companies Registry), will change its stock names and stock codes used on the Hong Kong Stock Exchange (which are subject to the approval of the Hong Kong Stock Exchange) and the SSE (which are subject to further feasibility discussions) and will implement a series of corporate governance and management measures simultaneously. The following charts show the shareholding structure before and after the Merger:

Merger of CSR and CNR by way of absorption and share-exchange:



After Completion of the Merger



Note:

1. Includes the CSR Put Option Providers which will pay cash to CSR Dissenting Shareholders who Exercise the Put Option as payment for their CSR Shares (if any).

2. Includes the CNR Put Option Providers which will pay cash to CNR Dissenting Shareholders who Exercise the Put Option as payment for their CNR Shares (if any) and will subsequently convert such shares into CSR Shares at the Exchange Ratio.

(5) Rights and Interests in CNR Shares and Derivatives and CSR Shares and Derivatives

As at the Latest Practicable Date, save as disclosed below, none of CSR and any of the parties acting in concert with it owns, controls or directs any CNR Shares or CSR Shares or holds any convertible securities, warrants or options (or other outstanding derivatives) in respect of CNR Shares or CSR Shares, has received any irrevocable undertaking to vote to accept the Merger Proposal, or has borrowed or lent any relevant securities of CNR or CSR.

As at the Latest Practicable Date, the CICC Group held, on behalf of its clients, 47,000 CNR H Shares representing approximately 0.002% of CNR's total issued CNR H Shares, 33,610 CNR A Shares representing approximately 0.0003% of CNR's total issued CNR A Shares, 62,000 CSR H Shares representing approximately 0.003% of CSR's total issued CSR H Shares, 3,229,148 CSR A Shares representing approximately 0.03% of CSR's total issued CSR A Shares.

As at the Latest Practicable Date, the BofAML Group (other than those members having exempt principal trader or exempt fund manager status), which is presumed to be acting in concert with CSR, owned or controlled:

(i) 1,465,472 CSR H Shares representing approximately 0.07% of the total issued CSR H Shares;

(ii) derivatives relating to 650,000 CSR H Shares (with maturity dates of 1 February 2015 and 19 October 2015 and reference prices of HK$7.0 and HK$7.04, respectively) representing approximately 0.03% of the total issued CSR H Shares;

(iii) 4,945,391 CSR A Shares representing approximately 0.04% of the total issued CSR A Shares;

(iv) derivatives with a maturity date of 15 April 2018 and a reference price of RMB4.14 relating to 17,600,000 CSR A Shares representing approximately 0.14% of the total issued CSR A Shares;

(v) 5,516,000 CNR H Shares representing approximately 0.26% of CNR's total issued CNR H Shares; and

(vi) derivatives relating to 2,251,500 CNR H Shares (with maturity dates of 9 November 2015, 23 July 2015, 15 July 2015, 17 August 2015 and 17 August 2015 and reference prices of HK$1.47, HK$6.31, HK$6.21, HK$6.69 and HK$6.61, respectively) representing approximately 0.11% of CNR's total issued CNR H Shares.

As at the Latest Practicable Date, save as disclosed below, none of CNR and any of its associates by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code (other than those associates having exempt principal trader or exempt fund manager status) owns, controls or directs any CSR Shares or CNR Shares or holds any convertible securities, warrants or options (or other outstanding derivatives) in respect of CSR Shares or CNR Shares, has received any irrevocable undertaking to vote to accept the Merger Proposal, or has borrowed or lent any relevant securities of CSR or CNR.

As at the Latest Practicable Date, the UBS Entities (other than those having exempt principal trader or exempt fund manager status) own or control 25,718 CNR A Shares representing approximately 0.0003% of CNR's total issued CNR A Shares; and 29,602 CSR A Shares representing approximately 0.0003% of CSR's total issued CSR A Shares.

3 MERGER PROPOSAL

(1) Parties to the Merger

CSR and CNR.

(2) Method of the Merger

In accordance with the terms of the Merger Agreement and the merger principles, the Post-Merger New Company will adopt a new company name and organization code number, stock names and stock codes, new corporate governance structure, strategic positioning, organisational structure, management system and company brand. The Merger will be technically implemented by CSR merging with CNR by way of absorption and share-exchange, namely CSR will issue CSR A Shares to the CNR Share-Exchange Shareholders holding A shares and CSR H Shares to the CNR Share-Exchange Shareholders holding H shares, and will apply to have the CSR A Shares and CSR H Shares to be issued under the Merger listed and traded on the SSE and the Hong Kong Stock Exchange, respectively, and the CNR A Shares and CNR H Shares will be deregistered. The Post-Merger New Company will, at the same time, hold all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR and CNR, through which an equal merger of both parties will be achieved. The Merger will be effective as provided for by the PRC Company Law and shall be in compliance with the Hong Kong Listing Rules and the Takeovers Code.

(3) Name of the Post-Merger New Company

The Post-Merger New Company will be renamed "中國中車股份有限公司" in Chinese and "CRRC Corporation Limited" in English. Its short name will be "中國中車" in Chinese and "CRRC" in English. The name change shall be subject to the approval of SAIC and registration with the Hong Kong Companies Registry.

(4) Share exchange targets

CNR Shareholders who are registered on the register of shareholders after market closes on the Record Date for Share Exchange, including CNR Shareholders who do not declare, or are ineligible to declare, or invalidly declare to exercise the CNR Put Option, and the CNR Put Option Providers, are entitled to exchange shares.

(5) Class and par value of the shares to be issued upon share exchange

RMB denominated ordinary shares of CSR (CSR A shares), with a par value of RMB1.00 each.

Overseas listed foreign shares of CSR (CSR H shares), with a par value of RMB1.00 each.

(6) Exchange Ratio and exchange price

To ensure that holders of A shares and holders of H shares are treated equally and to enable the current proportionate shareholdings as between CSR A Shareholders and CSR H Shareholders and as between CNR A Shareholders and CNR H Shareholders, respectively, to be maintained on completion of the Merger, a single Exchange Ratio has been agreed in respect of the Merger for A shares and H shares of CSR and CNR. The Exchange Ratio is 1: 1.10, meaning that each CNR A Share shall be exchanged for 1.10 CSR A Shares to be issued by CSR, and that each CNR H Share shall be exchanged for 1.10 CSR H Shares to be issued by CSR.

The Exchange Ratio has been agreed by taking the volume-weighted average prices of the relevant shares for the 20 trading days immediately prior to and including the Last Trading Date as the market reference prices, and giving full consideration to factors such as historical share prices, operating results and market capitalizations, and through arm's length negotiations. Specifically, the market reference prices for CSR A Shares and CSR H Shares are RMB5.63 per share and HK$7.32 per share, respectively, and the market reference prices for CNR A Shares and CNR H Shares are RMB5.92 per share and HK$7.21 per share respectively. Based on the market reference prices and the Exchange Ratio, the exchange prices of CSR A Shares and CSR H Shares have been determined as RMB5.63 per share and HK$7.32 per share, respectively, and the exchange prices of CNR A Shares and CNR H Shares have been determined as RMB6.19 per share and HK$8.05 per share, respectively.

The number of CSR H Shares and CSR A Shares obtained by CNR Share-Exchange Shareholders shall be in whole numbers. If the number of CSR H Shares to be obtained by a CNR Shareholder through a share-exchange of CNR H Shares for CSR H Shares at the Exchange Ratio will not result in a whole number, such shareholders will be ordered according to the value of the remaining fraction after the decimal point from highest to lowest, and one additional CSR H Share will be given to each such CNR Shareholder in that order until the number of shares actually exchanged is equal to the total number of shares proposed to be issued. If the number of shareholders with the same fraction is more than the number of remaining shares to be issued, shares will be allocated randomly by a computerised system until the number of shares actually exchanged is equal to the total number of shares proposed to be issued. The method of dealing with fractions of H shares described above shall also apply to dealing with fractions of A shares.

(7) Protection mechanism for CSR Dissenting Shareholders

In order to protect the interests of CSR Dissenting Shareholders, CSR will grant the CSR Put Option to CSR Dissenting Shareholders. If a CSR H Shareholder casts votes against the resolutions in relation to the Merger Proposal and the Merger Agreement at both the CSR EGM and CSR H Shareholders' Class Meeting but the Merger is ultimately approved, subject to satisfaction of specified conditions, such CSR H Shareholder will be entitled to exercise the CSR Put Option.

The CSR Dissenting Shareholders who Exercise the Put Option will be entitled, on the CSR Put Option Exercise Day, to receive cash from the CSR Put Option Providers for the CSR A Shares and CSR H Shares that have been validly declared in accordance with the Merger Agreement and Merger Proposal. The cash amounts have been determined in accordance with the volume-weighted average prices of CSR A Shares and CSR H Shares on the SSE and the Hong Kong Stock Exchange respectively for the 20 trading days immediately prior to and including the Last Trading Date, and are RMB5.63 per CSR A Share and HK$7.32 per CSR H Share. The CSR Dissenting Shareholders who Exercise the Put Option will transfer their CSR A Shares and CSR H Shares to the CSR Put Option Providers.

CSR will arrange the CSR Put Option Providers to acquire the CSR A Shares and CSR H Shares from CSR Dissenting Shareholders at the abovementioned cash consideration. The CSR Dissenting Shareholders who Exercise the Put Option shall have no right to exercise any put option against CSR or any CSR Shareholder who has voted in favour of the Merger.

The CSR Dissenting Shareholders who have satisfied all of the following conditions are entitled to exercise the CSR Put Option: (i) having cast Effective Dissenting Votes in respect of each of the resolutions regarding the Merger Proposal and the ratification of the Merger Agreement between the parties in relation to the Merger (A) at the CSR EGM and the CSR A Shareholders' Class Meeting (in terms of CSR A Shareholders) or (B) at the CSR EGM and the CSR H Shareholders' Class Meeting (in terms of CSR H Shareholders); (ii) having been registered on CSR's register of shareholders since the date of record of the CSR EGM, the CSR A Shareholders' Class Meeting and the CSR H Shareholders' Class Meeting, and has held CSR Shares which are entitled to the proposed exercise of the CSR Put Option from such date of record until the CSR Put Option Exercise Day; and (iii) having fulfilled filing procedures for the exercise of the CSR Put Option during the CSR Put Option Declaration Period.

The CSR Dissenting Shareholders falling within the following circumstances are not entitled to exercise the CSR Put Option in respect of the relevant CSR Shares: (i) holding CSR Shares with Share Restrictions; (ii) having undertaken to CSR that he/she will surrender the CSR Put Option; (iii) being a director, supervisor or a member of the senior management of CSR; or (iv) being not permitted to exercise the CSR Put Option pursuant to applicable laws and regulations.

The detailed arrangements for exercise of the CSR Put Option (including without limitation in relation to the CSR Put Option Exercise Day, exercise of the CSR Put Option and the relevant settlement and closing of shares) will be determined by CSR and the CSR Put Option Providers and will be disclosed in accordance with the applicable laws and regulations and the rules of the SSE and the Hong Kong Stock Exchange.

If the conditions for the Merger Agreement to become effective or the conditions to implementation fail to be fully satisfied or appropriately waived by CSR and CNR, which results in the failure of implementing the Merger, CSR Dissenting Shareholders shall have no right to exercise the CSR Put Option.

(8) Protection mechanism for CNR Dissenting Shareholders

In order to protect the interests of CNR Dissenting Shareholders, CNR will grant the CNR Put Option to CNR Dissenting Shareholders. If a CNR H Shareholder casts votes against the resolutions in relation to the Merger Proposal and the Merger Agreement at both the CNR EGM and CNR H Shareholders' Class Meeting but the Merger is ultimately approved, subject to satisfaction of specified conditions, such CNR H Shareholder will be entitled to exercise the CNR Put Option.

The CNR Dissenting Shareholders who Exercise the Put Option will be entitled, on the CNR Put Option Exercise Day, to receive cash from the CNR Put Option Providers for the CNR A Shares and CNR H Shares that have been validly declared in accordance with the Merger Agreement and Merger Proposal. The cash amounts have been determined in accordance with the volume-weighted average prices of CNR A Shares and CNR H Shares on the SSE and the Hong Kong Stock Exchange respectively for the 20 trading days immediately prior to and including the Last Trading Date, and are RMB5.92 per CNR A Share and HK$7.21 per CNR H Share. The CNR Dissenting Shareholders who Exercise the Put Option will transfer their CNR A Shares and CNR H Shares to the CNR Put Option Providers.

CNR will arrange the CNR Put Option Providers to acquire the CNR A Shares and CNR H Shares from CNR Dissenting Shareholders at the abovementioned cash consideration. The CNR Dissenting Shareholders who Exercise the Put Option shall have no right to exercise any put option against CNR or any CNR Shareholder who has voted in favour of the Merger.

The CNR Dissenting Shareholders who have satisfied all of the following conditions are entitled to exercise the CNR Put Option: (i) having cast Effective Dissenting Votes in respect of each of the resolutions regarding the Merger Proposal and the ratification of the Merger Agreement between the parties in relation to the Merger (A)

at the CNR EGM and the CNR A Shareholders' Class Meeting (in terms of CNR A Shareholders) or (B) at the CNR EGM and the CNR H Shareholders' Class Meeting (in terms of CNR H Shareholders); (ii) having been registered on CNR's register of shareholders since the date of record of the CNR EGM, the CNR A Shareholders' Class Meeting and the CNR H Shareholders' Class Meeting, and has held CNR Shares which are entitled to the proposed exercise of the CNR Put Option from such date of record until the CNR Put Option Exercise Day; and (iii) having fulfilled filing procedures for the exercise of the CNR Put Option during the CNR Put Option Declaration Period.

The CNR Dissenting Shareholders falling within the following circumstances are not entitled to exercise the CNR Put Option in respect of the relevant CNR Shares: (i) holding CNR Shares with Share Restrictions; (ii) having undertaken to CNR that he/she will surrender the CNR Put Option; (iii) being a director, supervisor or a member of the senior management of CNR; or (iv) being not permitted to exercise the CNR Put Option pursuant to applicable laws and regulations.

On the Share Exchange Date, the CNR Shares held by the CNR Shareholders who do not declare, or are ineligible to declare, or invalidly declare to exercise the CNR Put Option, and the CNR Shares acquired by CNR Put Option Providers, will be exchanged for the CSR A Shares or the CSR H Shares to be issued by CSR in accordance with the Exchange Ratio under the Merger.

The detailed arrangements for exercise of the CNR Put Option (including without limitation in relation to the CNR Put Option Exercise Day, exercise of the CNR Put Option and the relevant settlement and closing of shares) will be determined by CNR and the CNR Put Option Providers and will be disclosed in accordance with the applicable laws and regulations and the rules of the SSE and the Hong Kong Stock Exchange.

If the conditions for the Merger Agreement to become effective or the conditions to implementation fail to be fully satisfied or appropriately waived by CSR and CNR, which results in the failure of implementing the Merger, CNR Dissenting Shareholders shall have no right to exercise the CNR Put Option.

The CSR Put Option Providers and the CNR Put Option Providers are third parties independent from each of CSR and CNR.

The CSR Put Option Providers and the CNR Put Option Providers have undertaken to CSR and CNR respectively that if the exercise of the CSR Put Option and the CNR Put Option would result in the Post-Merger New Company failing to meet the minimum public float

requirement under the Hong Kong Listing Rules, the CSR Put Option Providers and the CNR Put Option Providers will use their reasonable endeavors to carry out necessary placings of the shares of the Post-Merger New Company to restore the public float of the Post-Merger New Company.

(9) Arrangements for share option schemes

Both CSR and CNR will follow appropriate procedures to terminate their respective share option schemes. The Post-Merger New Company will reformulate a share incentives plan in accordance with relevant provisions of PRC laws and will undertake the relevant approval procedures.

(10) Arrangements for employees

Following completion of the Merger, the employment contracts of all employees of CSR and CNR will continue with the Post-Merger New Company.

(11) Assets arrangement and issue of shares

The Post-Merger New Company will hold all assets (including all equity interests directly held by CSR and CNR, respectively), liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR and CNR from the Closing Date.

On the A Share Share Exchange Date, CSR will issue CSR A Shares to the CNR Share-Exchange Shareholders holding A shares in accordance with the Merger Agreement. On the H Share Share Exchange Date, CSR will issue CSR H Shares to the CNR Share-Exchange Shareholders holding H shares in accordance with the Merger Agreement. CSR will be responsible for registering the CSR A Shares and CSR H Shares to be issued under the Merger under the names of CNR A Shareholders and CNR H Shareholders. CNR will provide the necessary assistance.

(12) Listing arrangement of the new shares to be issued under the Merger

CSR will apply to have the CSR A Shares and CSR H Shares to be issued under the Merger listed and traded on the SSE and the Hong Kong Stock Exchange, respectively. If the A shares or the H shares of the Post-Merger New Company held by relevant shareholders are subject to restrictions on sale pursuant to the applicable laws, the relevant shareholders shall comply with such requirements.

(13) Liabilities for breach of the Merger Agreement

According to the Merger Agreement, if a party breaches any of its representations, warranties, undertakings, makes any misrepresentations, or fails to perform any of its responsibilities or obligations under the Merger Agreement, such party commits a breach of contract. Such defaulting party shall, at the request of the other party, continue to perform its obligations or take measures to remedy the breach or give full, prompt, adequate and effective indemnification. Where the Merger fails to become effective or to be completed for reasons not attributable to both parties to the Merger Agreement, none of the parties shall be liable for breach of contract.

(14) The Merger Agreement becoming effective

The Merger Agreement will become effective upon satisfaction of all of the following conditions (for the avoidance of doubt, none of which shall be capable of being waived):

(i) obtaining approvals of the CSR EGM, the CSR A Shareholders' Class Meeting and the CSR H Shareholders' Class Meeting on the Merger and the Merger Agreement; and obtaining approvals of the CNR EGM, the CNR A Shareholders' Class Meeting and the CNR H Shareholders' Class Meeting on the Merger and the Merger Agreement (in terms of the CNR H Shareholders' Class Meeting, CNR H Shareholders will be considered to have passed the resolutions if (a) the Merger is approved by at least 75% of the votes attaching to the disinterested shares held by CNR H Shareholders that are cast either in person or by proxy at the CNR H Shareholders' Class Meeting; and (b) the number of votes cast against the resolution to approve the Merger at the CNR H Shareholders' Class Meeting is not more than 10% of the votes attaching to all disinterested shares held by CNR H Shareholders);

(ii) obtaining approvals from SASAC in respect of the Merger;

(iii) obtaining clearance from the Executive in respect of the circulars to be issued to CSR Shareholders and to CNR Shareholders in connection with the Merger;

(iv) obtaining approval from the Hong Kong Stock Exchange for listing of the CSR H Shares to be issued as consideration of the share-exchange; and

(v) obtaining approvals from CSRC in respect of the Merger.

(15) Implementation of the Merger

Provided that the Merger Agreement has become effective, the implementation of the Merger shall be subject to satisfaction or appropriate waiver from CSR and CNR (except for the condition referred to in paragraph (iii) below, which shall not be capable of being waived) of the following conditions:

(i) all necessary PRC domestic anti-trust filings for the Merger having been formally submitted and clearance having been obtained;

(ii) for the purposes of the Merger, CSR and CNR having submitted anti-trust filings in the applicable jurisdictions where notification is legally required before completion of the Merger, and having obtained or being deemed to have obtained all necessary approvals in relation to the Merger from the anti-trust authorities of such jurisdictions; and

(iii) the Executive having granted, and not having withdrawn or revoked such grant of, the Whitewash Waiver and all conditions to the Whitewash Waiver having been satisfied including, among other things, obtaining the approval by poll by a simple majority of the independent CSR Shareholders present at the CSR EGM.

(16) Effective period of the resolution

The resolution in respect of the Merger will remain effective for 12 months from the date on which the Merger is approved at the CSR EGM, the CSR A Shareholders' Class Meeting and the CSR H Shareholders' Class Meeting. However, if CSR has obtained the approval from the CSRC in respect of the Merger during the above effective period, the resolution shall remain effective until the date on which the Merger is completed.

All CSR Shareholders are entitled to vote for, vote against or abstain from voting in respect of the resolutions proposed in connection with the Merger Proposal. For the avoidance of doubt, in relation to the resolution proposed to CSR Shareholders to approve the Whitewash Waiver, only independent CSR Shareholders (which will not include CSRG and parties acting in concert with it) are entitled to vote in respect of such resolution at the CSR EGM.

4 PRINCIPAL TERMS OF THE MERGER AGREEMENT

On 30 December 2014, CSR and CNR entered into the Merger Agreement in relation to the Merger Proposal. In addition to the terms set out in the section of this circular headed "3. Merger Proposal" above, the principal terms and conditions of the Merger Agreement include:

Parties

CSR and CNR.

Overview of the Merger Proposal

In accordance with the terms of the Merger Agreement and the merger principles of ensuring a merger of equals, focusing on the future and ensuring the Merger is carried out in compliance with regulations, the Post-Merger New Company will adopt a new company name and organization code number, stock names and stock codes, new corporate governance structure, strategic positioning, organisational structure, management system and company brand. The Merger will be technically implemented by CSR merging with CNR by way of absorption and share-exchange, namely CSR will issue CSR A Shares to the CNR Share-Exchange Shareholders holding A shares and CSR H Shares to the CNR Share-Exchange Shareholders holding H shares, will apply to have the CSR A Shares and CSR H Shares to be issued under the Merger listed and traded on the SSE and the Hong Kong Stock Exchange, respectively, and the CNR A Shares and CNR H Shares will be deregistered. The Post-Merger New Company will, at the same time, hold all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR and CNR, through which an equal merger of both parties will be achieved. The Merger will be effective as provided for by the Company Law of the PRC and shall be in compliance with the Hong Kong Listing Rules and the Takeovers Code.

Consideration

CSR will issue a maximum of 11,138,692,293 CSR A Shares and 2,347,066,040 CSR H Shares at the Exchange Ratio in exchange for a maximum of 10,126,083,903 CNR A Shares and 2,133,696,400 CNR H Shares respectively, which equates to 1.10 CSR A Shares being issued in exchange for one CNR A Share, and 1.10 CSR H Shares being issued for one CNR H Share. The CSR A Shares and CSR H Shares to be issued under the Merger will be listed and traded on the SSE and the Hong Kong Stock Exchange, respectively.

Ranking of H shares and A shares to be issued by CSR

The CSR H Shares and CSR A Shares to be issued by CSR in accordance with the Merger Proposal are not subject to any lien, pledge, charge or other restriction, and all relevant rights shall attach to such shares, including the right to receive all dividends and other distributions (if any) declared, made or paid on or after the issue date, and such shares will rank pari passu with the existing CSR Shares.

Treatment of fractions of shares

Upon completion of the Merger, the number of CSR H Shares and CSR A Shares obtained by CNR Share-Exchange Shareholders shall be in whole numbers. If the number of CSR H Shares to be obtained by a CNR Shareholder through a share-exchange of CNR H Shares for CSR H Shares at the Exchange Ratio will not result in a whole number, such shareholders will be ordered according to the value of the remaining fraction after the decimal point from highest to lowest, and one additional CSR H Share will be given to each such CNR Shareholder in that order until the number of shares actually exchanged is equal to the total number of shares proposed to be issued. If the number of shareholders with the same fraction is more than the number of remaining shares to be issued, shares will be allocated randomly by a computerised system until the number of shares actually exchanged is equal to the total number of shares proposed to be issued. The method of dealing with fractions of H shares described above shall also apply to dealing with fractions of A shares.

Put option of dissenting shareholders

CSR shall grant the CSR Put Option to its dissenting shareholders. CNR shall grant the CNR Put Option to its dissenting shareholders. Please refer to the sections of this circular headed "3. Merger Proposal — (7) Protection mechanism for CSR Dissenting Shareholders" and "3. Merger Proposal — (8) Protection mechanism for CNR Dissenting Shareholders" for details.

Conditions to becoming effective

The Merger Agreement shall become effective upon satisfaction of all of the following conditions (none of which shall be capable of being waived):

(1) obtaining approvals of the CSR EGM, the CSR H Shareholders' Class Meeting and the CSR A Shareholders' Class Meeting;

(2) obtaining approvals of the CNR EGM, the CNR H Shareholders' Class Meeting and the CNR A Shareholders' Class Meeting (in terms of the CNR H Shareholders' Class Meeting, CNR H Shareholders will be considered to have passed the resolutions if (i) the Merger is approved by at least 75% of the votes attaching to the disinterested shares held by CNR H Shareholders that are cast either in person or by proxy at the CNR H Shareholders' Class Meeting; and (ii) the number of votes cast against the resolution to approve the Merger at the CNR H Shareholders' Class Meeting is not more than 10% of the votes attaching to all disinterested shares held by CNR H Shareholders);

(3) (i) obtaining approvals from SASAC and the CSRC (each in respect of the Merger Proposal); and (ii) obtaining clearance from the Executive of the circulars to be issued to CSR Shareholders and to CNR Shareholders in connection with the Merger; and

(4) obtaining approval from the Hong Kong Stock Exchange for listing of the CSR H Shares to be issued as consideration of the share-exchange.

Conditions to implementation

Provided that the Merger Agreement has become effective, the implementation of the Merger shall be subject to satisfaction or appropriate waiver from CSR and CNR (except for the condition referred to in paragraph (3) below, which shall not be capable of being waived) of the following conditions:

(1) all necessary PRC domestic anti-trust filings for the Merger having been formally submitted and clearance having been obtained;

(2) for the purposes of the Merger, CSR and CNR having submitted anti-trust filings in the applicable jurisdictions where notification is legally required before completion of the Merger, and having obtained or being deemed to have obtained all necessary approvals in relation to the Merger from the anti-trust authorities of such jurisdictions; and

(3) the Executive having granted, and not having withdrawn or revoked such grant of, the Whitewash Waiver and all conditions to the Whitewash Waiver having been satisfied including, among other things, obtaining the approval by poll by a simple majority of the independent CSR Shareholders present or by proxies at the CSR EGM (which will not include CSRG and parties acting in concert with it).

Completion

Subject to the satisfaction of all conditions required for the Merger Agreement to become effective and satisfaction or appropriate waiver by CSR and CNR of all conditions to implementation (except for the condition referred to in paragraph (3) above, which shall not be capable of being waived), the Merger shall complete on the later of the date on which CSR completes its business registration update in relation to the Merger and the date on which CNR completes the cancellation of its business registration.

Termination

The Merger Agreement may be terminated in any of the following circumstances:

(1) if a competent government authority restricts or prohibits the completion of the Merger, either CSR or CNR will be entitled to terminate the Merger Agreement by written notice;

(2) if the Merger Agreement cannot be performed due to any force majeure event which continues for 60 days, either CSR or CNR will be entitled to terminate the Merger Agreement by written notice; or

(3) if one party commits a material breach of the Merger Agreement and such material breach is not remedied within 30 days following written notice from the non-defaulting party to the defaulting party, the non-defaulting party will be entitled to unilaterally terminate the Merger Agreement by written notice.

Company name, stock names and stock codes of the Post-Merger New Company

The company name of the Post-Merger New Company will be changed to 中國中車股份有限公司 (CRRC Corporation Limited) (subject to the approval of SAIC and registration with the Hong Kong Companies Registry), and CSR will complete the change of company name (subject to obtaining such approval and registration) on or prior to completion of the Merger.

CSR will apply to the Hong Kong Stock Exchange (which is subject to the approval of the Hong Kong Stock Exchange) and the SSE (which is subject to further feasibility discussions) to change its stock names and stock codes before completion of the Merger.

Post-Merger New Company's Articles of Association

The Post-Merger New Company will adopt new articles of association to be in line with the company's corporate governance and management structure after the Merger.

Arrangements for profit distribution and accumulated profits during the Transitional Period

Prior to the Closing Date of the Merger, CSR and CNR shall not undertake any ex-rights or ex-dividend actions such as distribution of rights, conversion and capitalization of reserves into share capital and rights issues. Any accumulated profits of CSR or CNR which remain undistributed as at the Closing Date of the Merger shall be for the benefit of shareholders of the Post-Merger New Company as a whole.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, CSR and CNR may invoke conditions (1) and/or (2) set out in the paragraph headed "Conditions to implementation" in this section or terminate the Merger Agreement in accordance with the paragraph headed "Termination" in this section as a basis for not proceeding with the Merger only if the circumstances which give rise to the right to invoke any such condition or termination right are of material significance to CSR and CNR in the context of the Merger Proposal.

Anti-trust filings have commenced after the publication of the Joint Announcement. As at the Latest Practicable Date, no conditions precedent have been satisfied other than obtaining clearance from the Executive for the circulars issued to CSR Shareholders and to CNR Shareholders in connection with the Merger.

5 CSR'S SPECIFIC MANDATE TO ISSUE CSR A SHARES AND CSR H SHARES

On 30 December 2014, CSR's Board also resolved to seek, at the CSR EGM, CSR A Shareholders' Class Meeting and CSR H Shareholders' Class Meeting, that it be granted an unconditional specific mandate enabling it, when the Merger is given effect and as required by the Merger, to determine and implement the issuance of approximately but not more than 11,138,692,293 CSR A Shares and 2,347,066,040 CSR H Shares, and to have full authority to deal with any and all matters necessary for, beneficial to, or appropriate for the issuance of the CSR A Shares and CSR H Shares and to deal with any details of the issue, registration and transfer of relevant shares as well as matters relating to listing on the SSE and the Hong Kong Stock Exchange (including the right to adjust the proposed price and numbers of new CSR A Shares and CSR H Shares to be issued to the extent allowed and in accordance with the applicable laws and regulations or requirements or requests by the applicable regulatory authorities).

6 AUTHORISATION BY CSR EGM TO CSR'S BOARD AND ITS AUTHORIZED PERSONS TO EXERCISE FULL POWERS TO DEAL WITH MATTERS RELATING TO THE MERGER

CSR's Board has resolved to propose that the CSR EGM authorise CSR's Board and its authorized persons to exercise full powers to deal with matters relating to the Merger. The specific terms of the authorisation are set out below:

(1) To deal with specific matters relating to the Merger in accordance with the Merger Proposal considered and approved at the CSR EGM, CSR A Shareholders' Class Meeting and CSR H Shareholders' Class Meeting, including but not limited to signing, executing, amending and completing all relevant agreements and any other relevant legal documents involved in the Merger (including relevant waivers as set out in agreements relating to the Merger); to carry out all procedures which are required in the course of, or necessary for the completion of, the Merger, such as all approvals, registrations, filings, ratifications, consents and notices; to engage intermediaries such as financial advisers, independent financial advisers, corporate legal advisers and audit firms for the Merger, and to authorize intermediaries such as financial advisers and their legal advisers, corporate legal advisers, audit firms and independent financial adviser to assist or represent CSR to deal with all specific matters related to the Merger, including but not limited to communication on behalf of CSR with relevant domestic and foreign regulatory bodies (including the CSRC, the SSE, the SFC, the Hong Kong Stock Exchange and other regulatory bodies) and submission of the relevant applications, and to ratify such procedures carried out and communication made with the relevant domestic and foreign regulatory departments and bodies prior to the date on whichthis resolution was approved; to make corresponding adjustments to the exchange price and Exchange Ratio due to any ex-rights or ex-dividend

actions made to the shares of CSR between the date of announcement of the first board resolution and the Share Exchange Date and in accordance with the relevant laws and regulations or provisions or requirements of the relevant regulatory bodies, and to handle specifically matters concerning the issuance, registration, transfer and listing on the SSE and the Hong Kong Stock Exchange of related shares; to make all domestic and foreign disclosures of information relating to the Merger (including but not limited to the release of the Joint Announcement of the Merger together with CNR); to determine the implementation proposal for the put option of CSR's Dissenting Shareholders, and to make corresponding adjustments to the exercise price of the CSR Put Option due to any ex-rights or ex-dividend actions made to the shares of CSR between the date of announcement of the first board resolution and the Share Exchange Date and in accordance with relevant laws and regulations or provisions or requirements of the relevant regulatory bodies; to carry out procedures such as the transfer, delivery and update of assets, liabilities, businesses, qualifications, employees, contracts and all other rights and obligations involved in the Merger; to handle the change of registration with the SAIC in connection with the Merger, such as the amendment of CSR's Articles of Association, changing the company name to "CRRC Corporation Limited" (subject to the approval of SAIC and the registration with the Hong Kong Companies Registry), and changing the registered capital and business scope; to deal with the change of stock codes and stock names of the Post-Merger New Company (change of the stock names and stock codes of the Post-Merger New Company are subject to further feasibility discussions), the company's new name and the related registration procedures and formalities; to engage foreign legal advisers and other intermediaries to apply to foreign antitrust review bodies for antitrust clearances, and to assist CSR in obtaining such clearances.

(2) In compliance with relevant laws and regulations and normative documents and on the condition of not going beyond the resolution passed at the shareholders' general meeting, to make corresponding adjustments to the detailed proposal for the Merger in accordance with the actual circumstances of the Merger or pursuant to requests from relevant approval authorities and regulatory departments, or to make amendments and additions to the transaction documents relating to the Merger (other than in respect of matters which are required under relevant laws and regulations, normative documents or CSR's Articles of Association to be re-voted on at the general meeting).

(3) On the condition of not going beyond the resolution passed at the shareholders' general meeting, to prepare, modify and submit application documents, circular to shareholders and other related documents for the Merger in accordance with the requirements of relevant approval authorities and regulatory departments.

(4) To assist in dealing with the delisting of CNR involved in the Merger.

(5) To handle all other specific matters related to the Merger.

(6) Subject to CSR's Board being granted all authorizations contained in this resolution and except as otherwise provided in the relevant laws and regulations, normative documents and CSR's Articles of Association, to authorize CSR's Board to delegate the power of exercise of all authorizations contained in this resolution to CSR's chairman Mr. Zheng Changhong and his authorized persons.

(7) The abovementioned authorisation shall be effective for twelve months from the date of its approval by the general meeting, provided that if CSR obtains approval for the Merger from the CSRC during the period the authorisation remains effective, the effective period of the authorisation shall automatically be extended until the completion date of the Merger.

7 ARRANGEMENTS FOR PROFIT DISTRIBUTION AND ACCUMULATED PROFITS PRIOR TO THE CLOSING DATE OF THE MERGER

On 30 December 2014, CSR's Board resolved that prior to the Closing Date of the Merger, CSR and CNR shall not undertake any ex-rights or ex-dividend actions such as distribution of rights, conversion and capitalization of reserves into share capital and rights issues. Any accumulated profits of CSR or CNR which remain undistributed as at the Closing Date of the Merger shall be for the benefit of shareholders of the Post-Merger New Company as a whole. After completion of the Merger, the Post-Merger New Company shall consider and make arrangements for the 2014 profit distribution after taking into account factors such as 2014 net profits and cash flows of CSR and CNR.

8 COMPARISONS OF VALUE

(1) Capital Value

The Exchange Ratio is 1.10 CSR Shares for every 1 CNR Share. The Exchange Ratio represents an implied premium for CNR Shareholders when compared with the ratio between the market prices of CNR Shares and CSR Shares during the specified trading period.

		Trading Periods Including the Last Trading Date		
		1 Trading Day	**20 Trading Days**	**60 Trading Days**
H shares	Ratio between the market prices of CNR H Shares and CSR H Shares	0.985	0.985	0.961
	Implied premium of the Exchange Ratio	**11.7%**	**11.7%**	**14.5%**
A shares	Ratio between the market prices of CNR A Shares and CSR A Shares	1.107	1.052	1.011
	Implied premium of the Exchange Ratio	**-0.6%**	**4.6%**	**8.8%**

Note:

(1) The market prices are the volume-weighted average prices during the specified trading period.

(2) Implied premium of the Exchange Ratio = 1.1/(market price of CNR Shares/market price of CSR Shares) -1. The ratio is calculated by comparing the Exchange Ratio with the ratio determined by dividing the volume-weighted average prices of CNR Shares by the volume-weighted average prices of the CSR shares for the specified trading period.

The Merger will be implemented at the Exchange Ratio. The comparisons below are provided solely for the convenience of investors. They are illustrations only. Shareholders should use the comparisons with care and take into account other disclosures in this circular, including the reasons and benefits of the Merger.

Based on the closing price of each CSR H Share of HK$7.89 on the Hong Kong Stock Exchange on the Last Trading Date, the value for each CNR H Share of HK$8.68 in the Merger represents:

(a) a premium of approximately 13.3% over the closing price of each CNR H Share of HK$7.66 on the Hong Kong Stock Exchange on the Last Trading Date;

(b) a premium of approximately 20.4% over the volume-weighted average price of HK$7.21 of each CNR H Share based on the volume-weighted average price of CNR H Shares on the Hong Kong Stock Exchange for the 20 trading days immediately prior to and including the Last Trading Date; and

(c) a premium of approximately 25.6% over the volume-weighted average price of HK$6.91 of each CNR H Share based on the volume-weighted average price of CNR H Shares on the Hong Kong Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Date.

Based on the closing price of each CSR A Share of RMB5.80 on the SSE on the Last Trading Date, the value for each CNR A Share of RMB6.38 in the Merger represents:

(a) a discount of approximately 1.1% to the closing price of each CNR A Share of RMB6.45 on the SSE on the Last Trading Date;

(b) a premium of approximately 7.8% over the volume-weighted average price of RMB5.92 of each CNR A Share based on the volume-weighted average price of CNR A Shares on the SSE for the 20 trading days immediately prior to and including the Last Trading Date; and

(c) a premium of approximately 16.0% over the volume-weighted average price of RMB5.50 of each CNR A Shares based on the volume-weighted average price of CNR A Share on the SSE for the 60 trading days immediately prior to and including the Last Trading Date.

Based on the closing price of each CSR H Share of HK$10.44 on the Hong Kong Stock Exchange on the Latest Practicable Date, the value for each CNR H Share of HK$11.48 in the Merger represents:

(a) a premium of approximately 4.4% over the closing price of each CNR H Share of HK$11.00 on the Hong Kong Stock Exchange on the Latest Practicable Date;

(b) a premium of approximately 1.0% over the volume-weighted average price of HK$11.37 of each CNR H Share based on the volume-weighted average price of CNR H Shares on the Hong Kong Stock Exchange for the 20 trading days immediately prior to and including the Latest Practicable Date; and

(c) a premium of approximately 4.0% over the volume-weighted average price of HK$11.04 of each CNR H Share based on the volume-weighted average price of CNR H Shares on the Hong Kong Stock Exchange for the 60 trading days immediately prior to and including the Latest Practicable Date.

Based on the closing price of each CSR A Share of RMB12.36 on the SSE on the Latest Practicable Date, the value for each CNR A Share of RMB13.60 in the Merger represents:

(a) a premium of approximately 3.3% over the closing price of each CNR A Share of RMB13.17 on the SSE on the Latest Practicable Date;

(b) a premium of approximately 17.4% over the volume-weighted average price of RMB11.58 of each CNR A Share based on the volume-weighted average price of CNR A Shares on the SSE for the 20 trading days immediately prior to and including the Latest Practicable Date; and

(c) a premium of approximately 29.4% over the volume-weighted average price of RMB10.51 of each CNR A Shares based on the volume-weighted average price of CNR A Share on the SSE for the 60 trading days immediately prior to and including the Latest Practicable Date.

(2) Net Asset Value

Based on the latest published audited consolidated financial statements of CNR prepared in accordance with IFRS, the net asset value of CNR as at 31 December 2013 was approximately RMB39.6 billion (approximately HK$50.2 billion). This is equivalent to approximately HK$4.09 for each CNR A Share and CNR H Share respectively as at the Latest Practicable Date.

On that basis, the value of HK$11.48 for each CNR H Share under the Merger Proposal (being the value of 1.10 CSR H Shares based on the closing price of each CSR H Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date of HK$10.44) represents a multiple of 2.81 times of the net asset value for each CNR H Share of HK$4.09.

(3) Earnings

Based on the latest published audited consolidated financial statements of CNR prepared in accordance with IFRS, the net profit of CNR for the financial year ended 31 December 2013 was approximately RMB4.1 billion (approximately HK$5.2 billion). This is equivalent to approximately HK$0.43 for each CNR A Share and CNR H Share respectively as at the Latest Practicable Date.

The value of HK$11.48 for each CNR H Share under the Merger Proposal (being the value of 1.10 CSR H Shares based on the closing price of each CSR H Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date of HK$10.44) yields a price to earnings ratio of 26.70.

9 FINANCIAL EFFECTS OF THE MERGER

Based on the audited financial statements of CSR prepared in accordance with IFRS for the year ended 31 December 2013, as at 31 December 2013, the consolidated total asset value of CSR was RMB121.1 billion, with a debt to assets ratio of 62%. Based on the interim results announcement of CSR dated 22 August 2014, as at 30 June 2014, the unaudited consolidated total asset value of CSR was RMB142.3 billion, with a debt to assets ratio of 67%. Assuming that the Merger had been completed on 31 December 2013, the unaudited consolidated total asset value of the Post-Merger New Company would have increased to RMB240.3 billion, and the debt to assets ratio would decrease to 64%. Following the completion of the Merger, the Post-Merger New Company's financial security and ability to cope with risks will be strengthened, providing assurance for its ongoing development in the future. Your attention is drawn to the section headed "Pro forma consolidated financial information of the Enlarged Group" in Appendix III to this circular prepared for the purpose of illustrating the financial effects of the Merger.

Following completion of the Merger, the Post-Merger New Company will hold all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR and CNR. When the Merger completes, it is expected that the synergies achieved in respect of marketing, operation and settlement, cost control and informatization construction will have a positive impact on the Post-Merger New Company's future operating results.

10 IMPACT OF THE MERGER ON THE SHAREHOLDING STRUCTURES OF CSR AND CNR

The shareholding structures of CSR and CNR prior to the Merger are as follows:

	Number of A Shares	Percentage of A Shares	Number of H Shares	Percentage of H Shares	Total Number of Issued Shares
CSR	11,779,000,000	85.34%	2,024,000,000	14.66%	13,803,000,000
CNR	10,126,083,903	82.60%	2,133,696,400	17.40%	12,259,780,303

The shareholding structure of the Post-Merger New Company will be as follows:

	Number of A Shares	Percentage of A Shares	Number of H Shares	Percentage of H Shares	Total Number of Issued Shares
CSR Shares issued prior to the Merger	11,779,000,000	43.16%	2,024,000,000	7.42%	13,803,000,000
CSR Shares issued in exchange for CNR Shares pursuant to the Merger	11,138,692,293	40.82%	2,347,066,040	8.60%	13,485,758,333
Total issued shares of the Post-Merger New Company	22,917,692,293	83.98%	4,371,066,040	16.02%	27,288,758,333

11 PROPOSED CHANGE OF COMPANY NAME, STOCK NAMES AND STOCK CODE OF THE POST-MERGER NEW COMPANY

Upon completion of the Merger, the Post-Merger New Company will be renamed 中國中車股份有限公司 (CRRC Corporation Limited) (subject to the approval of SAIC and the registration with the Hong Kong Companies Registry) and will change its stock names and stock codes used on the Hong Kong Stock Exchange (which are subject to the approval of the Hong Kong Stock Exchange) and the SSE (which are subject to further feasibility discussions). The proposed changes to the Post-Merger New Company's name, stock names and stock codes shall take effect upon satisfaction of all of the following conditions:

(i) the proposed change of name being approved at the general meeting of CSR;

(ii) completion of the Merger; and

(iii) the registration procedures relating to the change of company name, change of stock names and change of stock codes having been completed with the relevant registration authorities.

CSR intends to apply for suspension of trading before the commencement of the CSR Put Option Declaration Period and the Post-Merger New Company will be renamed as 中國中車股份有限公司 (CRRC Corporation Limited) upon resumption of trading after completion of the share exchange.

12 INTENTION FOR THE POST-MERGER NEW COMPANY

Following completion of the Merger, the Post-Merger New Company will adopt a new corporate governance structure in accordance with its articles of association to consolidate the management teams of CSR and CNR in order to fully utilize their management abilities and achieve synergies for the business of the Post-Merger New Company.

13 ARRANGEMENTS FOR EMPLOYEES UNDER THE MERGER

Following completion of the Merger, the employment contracts of all employees of CSR and CNR will continue with the Post-Merger New Company.

14 NEW CONTINUING CONNECTED TRANSACTIONS OF THE POST-MERGER NEW COMPANY

Upon completion of the Merger, CNRG, the controlling shareholder of CNR, will become a substantial shareholder of the Post-Merger New Company (as defined under the Hong Kong Listing Rules). As a result, existing continuing connected transactions between CNR and CNRG will become continuing connected transactions of the Post-Merger New Company. The Post-Merger New Company will comply with the Hong Kong Listing Rules in respect of these continuing connected transactions.

For details of the existing non-exempt continuing connected transactions of CSR with CSRG, please refer to CSR's announcement dated 26 October 2013 in respect of the renewal of continuing connected transactions. For details of the existing continuing connected transactions of CNR with CNRG, please refer to the section headed "Connected Transactions" in CNR's prospectus dated 12 May 2014.

15 ARRANGEMENTS FOR SHARE INCENTIVE SCHEMES OF CSR AND CNR

Under the CSR Share Option Scheme, 327 participants in total have been granted options to subscribe for 36,605,000 CSR A Shares on 27 April 2011, and, provided that all effective conditions stipulated under the CSR Share Option Scheme are met, such options shall be exercisable in three tranches from the date two years after such date of grant. As the effective conditions stipulated under the CSR Share Option Scheme were not met, both the first and second tranches of share options have lapsed effective and were cancelled. As at the Latest Practicable Date, the number of share options which have been granted by CSR but not yet vested is 11,766,546. Provided that the conditions to the exercise of such rights have been met, participants may subscribe for a total of 11,766,546 CSR A Shares. CSR's Board has resolved to propose to terminate the CSR Share Option Scheme conditional upon the completion of the Merger. Subject to approvals at the CSR EGM and the CSR Shareholders' class meetings, the CSR Share Option Scheme will be terminated at the date of the completion of the Merger. Upon termination of the CSR Share Option Scheme, the options granted but not yet vested thereunder will terminate and will not become effective and will be cancelled accordingly.

Under the CNR Share Option Scheme, 340 participants in total have been granted options to subscribe for 85,333,500 CNR A Shares, and provided that all vesting conditions stipulated under the CNR Share Option Scheme have been met, such options shall be exercisable in three tranches from the date two years after the date of such grant. As the vesting conditions stipulated under the CNR Share Option Scheme were not met, the first tranche of share options has lapsed and was cancelled. As at the Latest Practicable Date, the number of share options which have been granted by CNR but not yet vested is 57,173,445. Provided the conditions to the exercise of such rights have been met, participants may, in accordance with the vesting arrangements, apply to exercise their rights and subscribe for a total of 57,173,445 CNR A Shares. CNR's Board has resolved to propose to terminate the CNR Share Option Scheme conditional upon the completion of the Merger. Subject to approvals at the CNR EGM and the CNR Shareholders' class meetings, the CNR Share Option Scheme will be terminated at the date of the completion of the Merger. Upon termination of the CNR Share Option Scheme, the options granted but not yet vested thereunder will terminate and will not become effective and will be cancelled accordingly.

CSR and CNR agree that the Post-Merger New Company will reformulate a share incentives plan in accordance with relevant provisions of PRC laws and will undertake the relevant approval procedures.

16 CSR AND CNR'S BUSINESSES IN COUNTRIES UNDER SANCTIONS AND OVERSEAS RISK CONTROL MEASURES TO BE ADOPTED BY THE POST-MERGER NEW COMPANY

Each of CSR and CNR carries on business in certain sanctioned countries. Following completion of the Merger, the Post-Merger New Company plans to adopt certain risk-control measures to mitigate the sanction risks. Please refer to Appendix VI "CSR and CNR's businesses in sanctioned countries and overseas risk control measures to be adopted by the Post-Merger New Company" to this circular for details.

17 ANTI-TRUST FILINGS IN AND OUTSIDE CHINA

For the purposes of the Merger, CSR and CNR are required to file a report of concentration of business operators with the Ministry of Commerce of the PRC in accordance with the PRC Anti-Monopoly Law. The Merger will only be implemented after review and clearance from the Ministry of Commerce of the PRC.

For the purposes of the Merger, CSR and CNR are required to submit anti-trust filings in the applicable jurisdictions where notification will be legally required before completion of the Merger, and to obtain or be deemed to have obtained all necessary approvals in relation to the Merger from the anti-trust authorities of such jurisdictions. Anti-trust filings have commenced after the publication of the Joint Announcement.

18 REASONS AND BENEFITS OF THE MERGER

The global rolling stock manufacturing industry is encountering an unprecedented historical opportunity that provides a good opportunity for the Merger. In the Chinese market, there has been an "integration of three networks", with the three networks being the mainland railway, inter-city rail network and the urban mass transit system. This provides for a huge market space. In the overseas market, there has been the construction planning of the "Silk Road Economic Belt Region" and the "New Maritime Silk Route for the 21st Century". Other developments in the overseas market include the gradual implementation of international rail plans for the Eurasian high-speed rail, the high-speed rail in Central Asia and the Pan-Asian high-speed rail. These developments provide the rolling stock manufacturing industry with a broad market space.

In order to fully seize the above-mentioned development opportunities, CSR and CNR, being major enterprises in the rolling stock manufacturing industry in China and being major manufacturers of rolling stock and solution providers in the world, intend, through the Merger, to build a transnational and global leading large-scale comprehensive industrial group with rail transportation at its core. By merging, they intend to enhance market competitiveness internationally and therefore increase the return for all shareholders. The Merger will bring the following benefits:

(i) Raising the position of the Post-Merger New Company in the rolling stock industry

The two companies are currently two leading integrated rolling stock manufacturing enterprises in China and are also among large rolling stock manufacturing and total solution providers in the world. Pro forma revenue of the Post-Merger New Company for 2013 will reach RMB191.413 billion, which would allow it to be listed among the Fortune Global 500 and will further increase its competitiveness in the global rolling stock industry.

(ii) Integrating the technology and resources for R&D of CSR and CNR in order to boost innovative capabilities

CSR and CNR will coordinate their R&D resources after the Merger, to avoid the wastage of resources due to duplicative development efforts, and to increase their R&D efficiency. They will organize surplus resources for investment in fundamental research, generic technology research, forward-looking research and diversified emerging industry research. They will integrate their existing research resources and technological achievements and construct the new company's unified knowledge management platform to boost innovative capabilities.

The Post-Merger New Company will further integrate both parties' advantageous technologies, enhancing innovative capabilities and increasing the domestic production rate by speeding up breakthroughs in core technology areas through mutually complementary technology.

(iii) Increasing the international competitiveness of the Post-Merger New Company in overseas markets through unifying overseas resources

- Overall plan for overseas markets: The Post-Merger New Company will further integrate the overseas markets and customer resources of CSR and CNR. The Post-Merger New Company will also develop relevant investments by unifying the planning of overseas markets, preventing the waste of resources and increasing market development efficiency.

- Share the sales network: Formulate a unified overseas market development strategy, sharing sales network resources, integrating overseas sales teams and increasing competitiveness in international markets.

- Unify the brand image: Integrate the brand influence of both parties and focus their strengths to participate in international competition.

(iv) Optimizing both parties' product systems to better satisfy customer needs

- Furthering the formation of a full range of product pedigrees: The construction of a full range of product systems helps the full integration of both parties' dominant technologies, the provision of better quality and more diversified product choices for customers and increase opportunities for portfolio and cross sales to customers.

- Implement product standardization: This helps promote large-scale procurement and production to increase production efficiency.

- Achieve the modularization of product platforms and components: This helps provide customers with a flexible combination of customized products, allowing the Post-Merger New Company to better tap into market demand.

(v) Coordinating the systems of production, procurement and sales to increase efficient utilization of resources

Further establish a professional and regional division of work at production bases, with details as follows:

- Division of work based on specialization: Through division of work based on specialization to, increase the production lot, generate economies of scale, increase the production efficiency and economic benefits.

- Division of work based on geographical optimization: To allocate production on a nationwide basis, so as to achieve production in a nearby location and to increase the speed of delivery and reduce transport costs and after-sales service costs through coordinating and allocating capacity and resources.

- Overall planning of investments: Resources will be properly allocated for new domestic and foreign investments in accordance with the principle of maximizing revenue to increase the return on investment.

Further, the local and overseas supplier system of both parties will be integrated to achieve economies of scale in procurement. Sales network resources will be consolidated to further unify sales strategies in order to improve the speed of responding to the market and the ability to provide services; and

(vi) Creating diversified business segments and promoting the development of new industries

The Merger is beneficial to the Post-Merger New Company in that a large amount of resources in respect of technology, market, talent, management and capital would be saved. These resources can be used to support the development of new industries to enhance the Post-Merger New Company's overall ability to resist risks. Utilizing the existing resources of the rolling stock segment would help promote the development between different areas, such as new energy sources, new materials, finance and modern services.

19 BUSINESS STRATEGIES STRATEGIC OBJECTIVES AND SPECIFIC MEASURES OF THE POST-MERGER NEW COMPANY

The strategic positioning of the Post-Merger Company is to build a multinational and world-leading large comprehensive industrial group with rolling stock as its core. The Post-Merger New Company will mainly adopt the "Six Major Measures" to ensure the achievement of such strategic objective:

(i) Consolidate domestic markets: To further consolidate domestic markets by relying on the industry development prospects of the "integration of three networks" and on the basis of optimizing resource allocation and promoting technological innovation.

(ii) Develop overseas markets: To grasp the historical opportunity of global interconnection to expedite the construction of a global industry layout, increase international competitiveness and promote the internationalization of the high-end equipment industry in China.

(iii) Optimize resource allocation: To build a standardized, tree-like and modularized product system, coordinate R&D resources, plan new investments, effectively increase the enterprise efficiency and achieve sustainable development.

(iv) Promote technological innovation: To establish a technology R&D system with fundamental research, generic technology research, forward-looking research and localized research advancing side by side in each business segment to promote the sustainable development of the enterprise.

(v) Develop diversified businesses: To gradually transfer the surplus resources of existing businesses to diversified segments of industries, strive to foster upstream and downstream quality strategic emerging industries, actively promote diversified development.

(vi) Enhance brand influence: To formulate a unified brand and culture strategy to enhance the enterprise's brand influence and team cohesion.

20 POST-MERGER NEW COMPANY'S FINANCE AND BUSINESS OUTLOOK

The rolling stock manufacturing industry is of special importance in the development of the global transportation industry. In recent years, with the rapid economic development and ongoing urbanization, the share of transportation by rolling stock as compared to transportation by other means has continued to increase. The market demand for rolling stock equipment has maintained a steady growth trend. In overseas markets, major economies and many developing countries in the world have announced development plans for railways (especially high-speed railways). The global rail transportation market is growing rapidly. The desire for economic development in emerging markets is clearly demonstrated by their continued and growing investments in infrastructure, while investment in railways and railway equipment in mature markets has entered a busy period of replacement and renewal, and as such the potential is huge. With the enhancement of "Interconnection" and the continued construction of the "Silk Road Economic Belt" and the "Maritime Silk Road of the 21st Century", the construction and development of infrastructure in Asia will also bring new opportunities to the rolling stock industry. In the domestic market, under the "12th five-year" development plan for railway, the operational mileage of national railways will reach about 120,000 kilometres, including 50,000

kilometres of railways in the western region, a rapid railroad network of more than 40,000 kilometres will be initially built up and the proportion of double line railway and the electrified rate will reach 50% and 60% respectively. The construction of railroads and urban rolling stock transportation is of great significance for China's population mobility, regional economic layout, urbanization and economic development. In the future, rail transportation in China will make the "integration of three networks" comprising the mainline railway, inter-city rail network and urban mass rapid transit system as its development objective to form a complete rail transportation network within a nationwide scope. The promotion of the "integration of three networks' of rail transportation will bring new opportunities for the growth of the entire rolling stock market.

While vigorously developing the rolling stock industry, the Post-Merger New Company will foster various strategic emerging businesses such as wind power equipment, electric vehicles, ship propulsion system and modern information technology in sectors such as new energy, new materials, finance and service and other new industries by relying on the extended industry groups created using the existing core technology of rail transportation.

Through the reorganization and consolidation, the Post-Merger New Company will have the following advantages: complete product portfolio and optimized product system, strong R&D capability and technical advantage, outstanding production and manufacturing capability and experience, extensive sales network and global famous brands, diversified product structure and ability to resist risks. The above advantages will facilitate the company to better grasp industry development opportunities to build a multinational and world-leading large comprehensive industrial group with rolling stock at its core.

21 IMPLICATIONS UNDER THE HONG KONG LISTING RULES

(1) In respect of CSR

To the best of the knowledge, information and belief of the CSR Directors having made all reasonable enquiries, CNR and its controlling shareholder are parties independent of CSR and its connected persons, and the ultimate beneficial owners of CNR's controlling shareholder are not connected persons of CSR. The Merger does not constitute a connected transaction of CSR.

The highest relevant percentage ratio for transaction classification under the Hong Kong Listing Rules in respect of the relevant acquisition and the issue and exchange of CSR A Shares and CSR H Shares pursuant to the Merger is more than 100%. As a result, the Merger will constitute a very substantial acquisition for CSR under Rule 14.06(5) of the Hong Kong Listing Rules. Further, the issue of CSR A Shares and CSR H Shares pursuant to the Merger Proposal will constitute a variation of class rights of the holders of A shares and H shares under CSR's Articles

of Association. Pursuant to Rules 14.06(5) and 19A.38 of the Hong Kong Listing Rules and CSR's Articles of Association, the Merger is required to be approved by CSR Shareholders at the CSR EGM, CSR A Shareholders at the CSR A Shareholders' Class Meeting and CSR H Shareholders at the CSR H Shareholders' Class Meeting.

For the purposes of Rule 14.06(6) of the Hong Kong Listing Rules, the Merger will not constitute a reverse takeover of CSR as there will be no change of control (as defined in the Takeovers Code).

(2) In respect of CNR

To the best of the knowledge, information and belief of the CNR Directors having made all reasonable enquiries, CSR and its controlling shareholder are parties independent of CNR and its connected persons, and the ultimate beneficial owners of CSR's controlling shareholder are not connected persons of CNR. The Merger does not constitute a connected transaction of CNR.

The highest relevant percentage ratio for transaction classification under the Hong Kong Listing Rules in respect of the disposal by CNR pursuant to the Merger is more than 100%. As a result, the Merger will constitute a very substantial disposal for CNR under Rule 14.06(4) of the Hong Kong Listing Rules. Further, the exchange of CNR A Shares and CNR H Shares for CSR A Shares and CSR H Shares pursuant to the Merger Proposal will constitute a variation of class rights of the holders of A shares and H shares under CNR's Articles of Association. Pursuant to Rules 14.06(4) and 19A.38 of the Hong Kong Listing Rules and CNR's Articles of Association, the Merger is required to be approved by CNR Shareholders at the CNR EGM, CNR A Shareholders at the CNR A Shareholders' Class Meeting and CNR H Shareholders at the CNR H Shareholders' Class Meeting.

22 IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date: (i) CSRG directly and indirectly holds 7,889,406,857 CSR A Shares representing approximately 57.15% of the total issued share capital of CSR; and (ii) CNRG directly and indirectly holds 6,700,158,074 CNR A Shares representing approximately 54.65% of the total issued share capital of CNR.

Based on the Exchange Ratio and assuming that neither CSR nor CNR issues further or buys back CSR Shares or CNR Shares, respectively, upon completion of the Merger: (i) CSRG will directly and indirectly hold 7,889,406,857 CSR A Shares representing approximately 28.91% of the total issued share capital of the Post-Merger New Company; and (ii) CNRG will directly and indirectly hold 7,370,173,881 CSR A Shares representing approximately 27.01% of the total issued share capital of the Post-Merger New Company. There will be no acquisition of control

(as such term is defined in the Takeovers Code) by CSRG or CNRG on completion of the Merger. However, CSRG and CNRG will fall into the class (1) presumption of "acting in concert" (as set out in the definition of "acting in concert" in the Takeovers Code) in respect of the Post-Merger New Company upon completion of the Merger.

Further, after completion of the Merger, CSRG and CNRG may merge, among other things, to facilitate the management of their respective interests in the Post-Merger New Company. There is no certainty as to whether CSRG or CNRG will merge nor the timing of any such possible merger.

To preclude any uncertainty on the part of CSR Shareholders, CNR Shareholders and investors more generally as to whether CSRG and/or CNRG would be obliged to make a mandatory general offer for the issued shares not held by them in the Post-Merger New Company after completion of the Merger by virtue of falling into the class (1) presumption of "acting in concert" (as set out in the definition of "acting in concert" in the Takeovers Code) in respect of the Post-Merger New Company or when and if CSRG and CNRG were to merge in the future, CSRG and CNRG will make an application to the Executive for the grant of a Whitewash Waiver pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code. Such application will be made by CSRG and CNRG on a voluntary basis. Such Whitewash Waiver would waive any obligations on CSRG, CNRG and/or any successor entity resulting from the merger of CSRG and CNRG to make a mandatory general offer for all the issued shares in the Post-Merger New Company not already owned by them as a result of and after completion of the Merger and/or any future possible merger of CSRG and CNRG.

The Whitewash Waiver, if granted by the Executive, would be conditional upon, among other things, the approval by poll by a simple majority of the independent CSR Shareholders present or by proxy at the CSR EGM (which will not include CSRG and parties acting in concert with it) for the purpose of fulfiling the Takeovers Code requirement of obtaining approval of the Whitewash Waiver through an independent vote at a meeting of the holders of the relevant class of securities.

Grant of the Whitewash Waiver (without subsequent withdrawal or revocation of such grant) and the satisfaction of all conditions to it is a condition (which shall not be capable of being waived) to implementation of the Merger Agreement and completion of the Merger.

23 ARRANGEMENTS FOR IMPLEMENTATION OF THE MERGER AGREEMENT

Pursuant to the Merger Agreement, CSR will apply to the Hong Kong Stock Exchange for the listing of and permission to deal in the CSR H Shares to be issued under the Merger, which will be implemented upon approval by the Hong Kong Stock Exchange.

Following completion of the Merger, CNR Shares will cease to have effect as documents or evidence of title. Upon satisfaction of all the conditions precedent to the Merger and satisfaction of the implementation conditions to the Merger or waiver thereof by CNR and CSR as appropriate, CNR will (i) apply to the Hong Kong Stock Exchange for voluntary withdrawal of the listing of CNR H Shares from the Hong Kong Stock Exchange pursuant to Rule 6.15 of the Hong Kong Listing Rules, which is subject to the requirements under Chapter 6 of the Hong Kong Listing Rules and the approval of the Listing Committee of the Hong Kong Stock Exchange; and (ii) apply to the SSE for voluntary withdrawal of the listing of CNR A Shares from the SSE pursuant to the SSE Listing Rules, which is subject to the approval of the SSE.

CNR will issue separate announcement(s) notifying CNR H Shareholders of the proposed withdrawal of listing and the exact dates and relevant arrangements for the last day for dealing in CNR H Shares on the Hong Kong Stock Exchange as well as when the formal delisting of the CNR H shares will become effective.

The listing of the CNR H Shares on the Hong Kong Stock Exchange will not be withdrawn if the Merger is not approved or lapses or does not become unconditional for any reason.

24 CSR INDEPENDENT BOARD COMMITTEE AND CSR INDEPENDENT FINANCIAL ADVISER

CSR's Board has established the CSR Independent Board Committee, consisting of all of CSR's non-executive directors, being Mr. Liu Zhiyong, a non-executive director, and all of CSR's independent non-executive directors, being Mr. Li Guo'an, Mr. Wu Zhuo and Mr. Chan Ka Keung, Peter. Such committee will advise the independent CSR Shareholders as to: (a) whether the Merger Proposal and the Whitewash Waiver are fair and reasonable; and (b) whether to vote in favour of the Merger Proposal and the Whitewash Waiver at the CSR EGM. For opinions and advice of the CSR Independent Board Committee, please refer to the section headed "Letter from the CSR Independent Board Committee" in this circular.

The CSR Independent Board Committee has appointed Platinum Securities Company Limited as its independent financial adviser to provide advice to it in respect of the Merger Proposal and the Whitewash Waiver. For the opinions and advice of the CSR Independent Financial Adviser, please refer to the section headed "Letter from the CSR Independent Financial Adviser" in this circular.

25 CNR INDEPENDENT BOARD COMMITTEE AND CNR INDEPENDENT FINANCIAL ADVISER

To consider the Merger, CNR's Board has established the CNR Independent Board Committee, consisting of all of CNR's independent non-executive directors, being Mr. Li Fenghua, Mr. Zhang Zhong, Ms. Shao Ying and Mr. Sun Patrick. Such committee will advise disinterested CNR Shareholders as to: (a) whether the Merger Proposal is fair and reasonable; and (b) whether to vote in favour of the Merger at the CNR EGM and the relevant shareholders' class meetings.

Mr. Cui Dianguo, a non-executive director of CNR, is not a member of the CNR Independent Board Committee since, as at the Latest Practicable Date, he is interested in 125,000 CNR A Shares and 281,400 unvested share options.

Mr. Wan Jun, a non-executive director of CNR, is not a member of the CNR Independent Board Committee since he is an employee representative director on CNR's Board to represent the interests of the employees of CNR and its subsidiaries.

The CNR Independent Board Committee has appointed Somerley Capital Limited as its independent financial adviser to provide advice to the CNR Independent Board Committee in respect of the Merger. The opinions and advice of the CNR Independent Board Committee and the CNR Independent Financial Adviser will be set out in the circular relating to the Merger to be despatched to CNR H Shareholders.

26 CSR EGM AND CSR H SHAREHOLDERS' CLASS MEETING

CSR will convene the CSR EGM, the CSR A Shareholders' Class Meeting and the CSR H Shareholders' Class Meeting for CSR Shareholders to consider and, if thought fit, approve matters including the Merger and the Whitewash Waiver (to be approved at the CSR EGM only). Details of the CSR EGM, the CSR H Shareholders' Class Meeting and the resolutions to be considered at such meetings will be set out in the "Notice of the First CSR EGM of 2015" and the "Notice of the First CSR H Shareholders' Class Meeting of 2015" attached to this circular.

CSR H Shareholders who have been registered as holders of CSR H Shares on the register of members of CSR kept by the registrar of H shares by close of business on Friday, 6 February 2015 and who have completed all necessary registration procedures will be entitled to attend the CSR EGM and the CSR H Shareholders' Class Meeting.

Suspension of Registration of Share Transfers

CSR H Shareholders whose names are on the register of members of CSR at the close of business on Friday, 6 February 2015 will be entitled to attend the CSR EGM and the CSR H Shareholders' Class Meeting when they have completed all necessary registration procedures. The register of members of CSR H Shareholders will be closed from Saturday, 7 February 2015 to Monday, 9 March 2015 (such dates inclusive), during which no registration of transfers of CSR H Shares will be processed. If applicable, holders of H shares intending to attend the CSR EGM and the CSR H Shareholders' Class Meeting must lodge their respective transfer documents and relevant share certificates with CSR's H share registrar, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. Friday, 6 February 2015.

Proxy Forms and Reply Slips

Whether or not you intend to attend the CSR EGM or the CSR H Shareholders' Class Meeting, you are strongly urged to complete and return the proxy forms in accordance with the instructions printed thereon. The proxy forms should be returned as soon as possible (but in any event not less than 24 hours before the appointed time for holding the relevant meeting or any adjournment thereof). After completion and return of the proxy forms, you may still attend and vote at the relevant meetings should you so wish.

If you are eligible and intend to attend the relevant meeting, please complete and return the relevant reply slips in accordance with the instructions printed thereon. Reply slips should be returned as soon as possible (but in any event not later than 20 days before the scheduled date for holding the relevant meeting or any adjournment thereof).

Voting at the CSR EGM and the CSR H Shareholders' Class Meeting

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, all resolutions will be passed by way of poll at the CSR EGM and the CSR H Shareholders' Class Meeting.

In relation to resolutions proposed in connection with the Merger Proposal, no CSR Shareholder has a material interest in the matters to be approved at the CSR EGM and the CSR H Shareholders' Class Meeting and all CSR Shareholders are entitled to vote on the relevant resolutions at the CSR EGM and the CSR H Shareholders' Class Meeting. In relation to the resolution proposed to CSR Shareholders to approve the Whitewash Waiver, only independent CSR Shareholders (which will not include CSRG and parties acting in concert with it) are entitled to vote in respect of such resolution at the CSR EGM.

27 COMPETITION IMPLICATIONS OF THE MERGER ON THE POST-MERGER NEW COMPANY

(1) Competition implications between the Post-Merger New Company and CSRG and CNRG, and their respective associates

Following the completion of the Merger, CSRG and CNRG will not compete with the Post-Merger New Company in respect of its primary businesses.

In order to avoid competition with the Post-Merger New Company, each of CSRG and CNRG issued an undertaking to avoid competition with the Post-Merger New Company on 30 December 2014, specifically undertaking as follows:

A. they will not, and they will procure that their wholly-owned subsidiaries and controlled subsidiaries do not, engage in any businesses which may be in direct competition with the Post-Merger New Company's current operating businesses;

B. subject to undertaking A above, should they (including their wholly-owned subsidiaries and controlled subsidiaries or other associated entities) come to provide, in the future, products or services potentially in competition with the primary products or services provided by the Post-Merger New Company, they have agreed to grant the Post-Merger New Company pre-emptive rights to acquire the assets or their entire equity interests in such subsidiaries related to such products or services;

C. subject to undertaking A above, they may develop advanced and highly-profitable projects in the future which fall within the business scope of the Post-Merger New Company, provided that, on the same terms, they shall grant pre-emptive rights to the Post-Merger New Company to acquire any results of such projects; and

D. they shall indemnify the Post-Merger New Company for its actual losses arising from any failure to comply with the above undertakings.

(2) Competition implications between the Post-Merger New Company and its listed subsidiaries

Each of Times Electric and Times New Material competes with CNR's wholly-owned subsidiaries and controlled subsidiaries in certain areas ("**Competing Businesse**s"), which mainly include: (1) certain business overlap with Times Electric in areas such as drive control systems, network control systems, traction power supply systems, braking systems and track works; and (2) certain business overlap with Times New Material in areas such as rolling stock air suspension, rubber and metal.

Through the Merger, CNR's businesses will be merged into the Post-Merger New Company and Times Electric and Times New Material will become listed subsidiaries of the Post-Merger New Company. As such, there will be certain competition arising between Times Electric/Times New Material and the Post-Merger New Company.

A. Measures adopted to avoid competition between the Post-Merger New Company and Times Electric

In order to avoid competition between the Post-Merger New Company and Times Electric, each of CSRG and CNRG issued a non-competition undertaking to Times Electric on 30 December 2014 respectively, undertaking that they will procure the Post-Merger New Company to provide non-competition undertakings to Times Electric that: in respect of the Competing Businesses, (a) the Post-Merger New Company will grant a call option to Times Electric, pursuant to which Times Electric will be entitled to elect, at its own discretion, when to request the Post- Merger New Company to sell relevant Competing Businesses to Times Electric; (b) the Post-Merger New Company will further grant a pre-emptive right to Times Electric, pursuant to which the Post-Merger New Company shall, when proposing to sell the Competing Businesses to an independent third party, first offer the Competing Businesses to Times Electric on the same terms, and may only sell the Competing Businesses to such third party if Times Electric decides not to purchase the Competing Businesses; (c) the decision by Times Electric as to whether to exercise the abovementioned call option and pre-emptive right shall be made by independent non-executive directors of Times Electric; (d) the exercise of the abovementioned call option and pre-emptive right and other means to resolve competition effectively shall be subject to compliance with the regulatory, disclosure and shareholders' meeting approval processes in the places of listing applicable to the Post-Merger New Company and Times Electric respectively; and (e) the term of the above non-competition undertakings shall commence on the date they are given and continue until Times Electric is no longer a listed company or the Post-Merger New Company is no longer the indirect controlling shareholder of Times Electric.

B. Measures adopted to avoid competition between the Post-Merger New Company and Times New Material

In order to avoid competition between the Post-Merger New Company and Times New Material, each of CSRG and CNRG issued a non-competition undertaking to Times New Material on 30 December 2014 respectively, undertaking that they will procure that the Post-Merger New Company, within five years from the completion

of the Merger, resolves any competition concerns between the Post- Merger New Company and Times New Material through methods approved by regulatory authorities, including but not limited to asset restructuring and business consolidation, and will also procure the Post-Merger New Company to provide corresponding undertakings.

28 TAXATION

(1) Non-Tax Advice

You should consult with your professional adviser to understand the possible tax implications of exercising the CSR Put Option. None of CSR, CNR, China International Capital Corporation Hong Kong Securities Limited, Merrill Lynch (Asia Pacific) Limited, Platinum Securities Company Limited, UBS AG Hong Kong Branch or Somerley Capital Limited, nor their respective directors or any person participating in the Merger, assume any liability in respect of any tax incurred or other implication of any CSR H Shareholder's exercise of the CSR Put Option.

(2) Hong Kong Stamp Duty

For the CSR Dissenting Shareholders who Exercise the Put Option holding H shares, Hong Kong stamp duty is payable at the rate of HK$1.00 for every HK$1,000 of the consideration or in respect of consideration less than HK$1,000. The stamp duty payable will be deducted from the cash received by the CSR Dissenting Shareholders who Exercise the Put Option.

29 REGISTRATION AND DELIVERY OF H SHARES OF CSR TO BE ISSUED PURSUANT TO THE MERGER

CNR H Shareholders registered in the register of members as at the Record Date for Share Exchange shall receive H shares of CSR in accordance with the Exchange Ratio. The shares of CSR to be received by CNR H Shareholders shall be calculated in accordance with the Exchange Ratio and paid in full in accordance with the terms of the Merger Agreement irrespective of any lien, set-off right, counter-claim or other similar right that CSR is entitled to or claims to be entitled to by way of other means against such CNR H Shareholders.

30 DISSENTING SHAREHOLDERS WHOSE CSR H SHARES ARE HELD BY AGENT OR TRUSTEE

For dissenting shareholders whose CSR H Shares are held by an agent or trustee, please refer to Paragraph 13 of the section headed "General information" in Appendix VII to this circular in respect of the rights of CSR Dissenting Shareholders whose CSR H Shares are held by an agent or trustee.

31 RECOMMENDATION FOR APPROVAL OF THE DRAFT REPORT FOR THE MERGER OF CSR CORPORATION LIMITED AND CHINA CNR CORPORATION LIMITED (《中國南車股份有限公司、中國北車股份有限公司合併報告書(草案)》) AND ITS SUMMARY

To implement the Merger, CSR has prepared the Draft Report for the Merger of CSR CORPORATION LIMITED and China CNR Corporation Limited (《中國南車股份有限公司、中國北車股份有限公司合併報告書(草案)》) and its summary (the "**Report and Summary**") in accordance with the *Administrative Measures for the Material Assets Reorganization of Listed Companies*, Standards on the Contents and Formats of Information Disclosures by Companies Publicly Offering Securities No.26 - Material Asset Reorganization of Listed Companies (Revision in 2014) and other regulations and rules in relation to material assets reorganization of listed companies. Major contents of the Report and Summary have been set out in relevant sections of this circular. The full text of the Report and Summary will be contained in the overseas regulatory announcements of CSR expected to be published on the website of the Hong Kong Stock Exchange on or around 20 January 2015.

As at the Latest Practicable Date, the Report and Summary was expected to be considered and approved by the CSR's Board on 20 January 2015, which will be subject to the consideration and approval by the CSR Shareholders at the CSR EGM by way of a special resolution.

32 RECOMMENDATION OF CSR'S BOARD

CSR's Board (other than members of the CSR Independent Board Committee, whose views are given in the section headed "Letter from the CSR Independent Board Committee" in this circular) is of the view that the terms of the Merger, Merger Proposal and the Whitewash Waiver are fair and reasonable and in the interests of CSR and its shareholders as a whole because the terms of the Merger have taken into full account factors such as the parties' market value, financial results and current market valuations, and have been decided through arm's length negotiations by the parties, the fact that the shareholding ratio of the original shareholders of each party in the Post-Merger New Company will be essentially the same reflects the principle of a merger of equals and fair transaction. Having considered the terms of the Merger Agreement and taken into account advice from the CSR Independent Financial Adviser, the CSR

Independent Board Committee is of the view that the terms of the Merger Agreement, the Merger Proposal and the Whitewash Wavier are fair and reasonable so far as the disinterested CSR Shareholders are concerned. Therefore, CSR's Board recommends that the CSR Shareholders vote in favour of the resolutions in relation to the Merger at the CSR EGM and the relevant shareholders' class meetings, and the resolution in relation to the Whitewash Waiver at the CSR EGM.

33 OTHER INFORMATION

Your attention is drawn to other information set out in the Appendices to this circular.

Yours faithfully,
By Order of CSR's Board
CSR CORPORATION LIMITED
Zheng Changhong
Chairman

中國南車股份有限公司
CSR CORPORATION LIMITED

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

(Stock code: 1766)

Dear Sir or Madam,

21 January 2015

MERGER OF CSR AND CNR

Reference is made to the circular of CSR CORPORATION LIMITED ("**CSR**") dated 21 January 2015 in respect of the Merger (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by CSR's Board as the members of the CSR Independent Board Committee to give a recommendation to disinterested CSR Shareholders in respect of the Merger Proposal and the Whitewash Waiver. We have appointed Platinum Securities Company Limited as our independent financial adviser in respect of the Merger Proposal and the Whitewash Waiver.

Having considered the terms of the Merger Proposal and the Whitewash Waiver and taken into account the advice of Platinum Securities Company Limited, in particular the factors, reasons and recommendations set out in the letter from the CSR Independent Financial Adviser in the Circular, we are of the view that the terms of the Merger Proposal and the Whitewash Waiver are fair and reasonable so far as disinterested CSR Shareholders are concerned and in the interests of CSR and its shareholders as a whole. Accordingly, we recommend disinterested CSR Shareholders to vote in favour of the resolutions in relation to the Merger at the CSR EGM and CSR H Shareholders' Class Meeting and the resolution in relation to the Whitewash Waiver at the CSR EGM.

We wish to draw the attention of disinterested CSR Shareholders to (1) the letter from CSR's Board set out on pages 1 to 46 of the Circular, (2) the letter from the CSR Independent Financial Adviser set out on pages 47 to 48 of the Circular, and (3) each of the Appendices to the Circular.

Yours faithfully,
For and on behalf of the CSR Independent Board Committee

Liu Zhiyong	**Li Guo'an**	**Wu Zhuo**	**Chan Ka Keung, Peter**
Non-executive director	*Independent non-executive director*	*Independent non-executive director*	*Independent non-executive director*

The following is the text of the letter of advice from the Independent Financial Adviser to the CSR Independent Board Committee for the purpose of incorporation into this circular.

PLATINUM Securities Company Limited

21/F LHT Tower
31 Queen's Road Central
Hong Kong

Telephone (852) 2841 7000
Facsimile (852) 2522 2700
Website www.platinum-asia.com

21 January 2015

To the CSR Independent Board Committee

Dear Sir or Madam,

(1) MERGER OF CSR AND CNR AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement as the CSR Independent Financial Adviser to advise the CSR Independent Board Committee in relation to the Merger Proposal and the Whitewash Waiver (the "Transaction"). Details are contained in the Letter from CSR's Board as set out in the Circular dated 21 January 2015 (the "Circular") of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

In our capacity as the CSR Independent Financial Adviser, our role is to advise the CSR Independent Board Committee as to whether the Merger Proposal and the Whitewash Waiver are fair and reasonable, and in the interest of CSR and the CSR Shareholders as a whole.

In formulating our opinion, we have relied on the information and facts supplied to us by the CSR Directors and/or the management of CSR. We have discussed with the management of CSR (the "Management") their plans and prospects of the Post-Merger New Company. We have reviewed, among other things: (i) the Merger Agreement; (ii) the joint announcement made by CSR and CNR dated 30 December 2014; (iii) the Unaudited Pro Forma Financial Information of the Enlarged Group; (iv) the audited annual report of CSR for the year ended 31 December 2011 ("2011 Annual Report of CSR"); (v) the audited annual report of CSR for the year ended 31 December 2012 ("2012 Annual Report of CSR"); (vi) the audited annual report of CSR and CNR for the year ended 31 December 2013 ("2013 Annual Reports of CSR" and "2013 Annual Report of CNR"); (vii) the CNR H Shares listing prospectus dated 12 May 2014 ("Prospectus"); and (viii) the unaudited interim report of CSR and CNR for the six months period ended 30 June 2014 ("2014 Interim Report of CSR" and "2014 Interim Report of CNR").

We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete, accurate and not misleading at the time they were made and continue to be so in all material respects and as at the Latest Practicable Date and we have relied on the same, except that no assumption is made by us in respect of our own opinions contained in the Circular. The CSR Directors have confirmed that they take full responsibility for the contents in the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us which they are provided after due and careful consideration and formulated on reasonable bases and assumptions.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of all facts as set out in the Circular and of the information and representations provided to us by the CSR Directors and/or the Management. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the CSR Directors and/or the Management, which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs and underlying assets of CSR, CSR Group, CNR or CNR Group or conduct any valuation or appraisal of any assets or liabilities of CSR, CSR Group, CNR and CNR Group or conduct any form of investigation into the commercial viability of the future prospects of the Post-Merger New Company. We have also relied on information available to the public (such as the published documents by CSR and CNR) which we assumed such information to be accurate and reliable. In addition, we have further assumed that all government, regulatory or other consents and necessary approval would have been obtained for the implementation of this transaction, without any adverse effect on the contemplated benefits to CSR. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Transaction.

During the past two years, Platinum Securities Company Limited had no past engagement with CSR. As at the Latest Practicable Date, we are independent from, and are not associated with CSR or any other party to the Transaction, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rule and accordingly, are considered eligible to give independent advice on the Transaction. We will receive a fee from CSR for our role as the CSR Independent Financial Adviser to the CSR Independent Board Committee in relation to the Transaction. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from CSR or any party to the Transaction or their respective substantial shareholder(s) or connected person(s), as defined under the Hong Kong Listing Rules. As at the Latest Practicable Date, certain non-discretionary client accounts of Platinum Broking Company Limited, a broking company which is under the same control as Platinum Securities Company Limited, held in aggregate of 12,000 CSR H Shares, which represent approximately 0.00059% of CSR's total outstanding issued H Shares.

We do not consider these shareholding interests mentioned above would affect the objectivity of our advice, given the fact that (i) the interests so held are immaterial; (ii) neither our group nor our relevant employees directly or indirectly hold any shares, option, warrants or other equity related interests in any party related to the Transaction. Accordingly, we consider ourselves suitable to give independent financial advice to the CSR Independent Board Committee in respect of the Merger Proposal and the Whitewash Waiver.

The CSR Independent Board Committee, comprising Mr. Liu Zhiyong, Mr. Li Guo'an, Mr. Wu Zhuo and Mr. Chan Ka Keung, Peter, has been established to advise the disinterested CSR Shareholders as to whether the terms of the Merger Proposal and the Whitewash Waiver are fair and reasonable so far as disinterested CSR Shareholders are concerned and in the interests of CSR and its shareholders as a whole. The CSR Independent Board Committee has appointed Platinum Securities Company Limited as its independent financial adviser to provide advice to it in respect of the Merger Proposal and the Whitewash Waiver, such appointment has been approved by the CSR Independent Board Committee with reference to the CSR's announcement date 8 January 2015.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the CSR Independent Board Committee, we have taken into account the following principal factors:

I. THE MERGER PROPOSAL

1 Background of the Merger Proposal

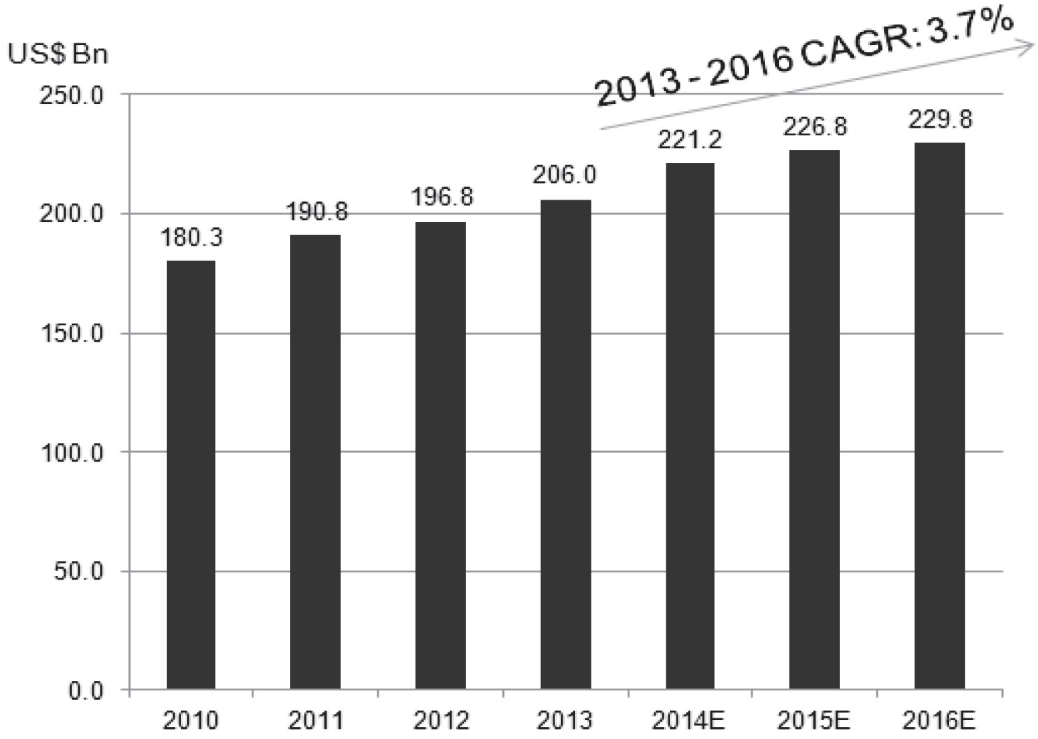
In order to promote the prosperous development of the global rolling stock manufacturing industry, CSR and CNR entered into a Merger Agreement with respect to the Merger Proposal on 30 December 2014. Guided by the principles of a merger of equals, focusing on the future and ensuring the Merger is carried out in compliance with regulations, CSR proposes to merge with CNR by way of absorption and a share for share exchange. Through the Merger, CSR and CNR propose to build jointly a brand-new, multinational world-leading supplier of high-end equipment and systems solutions with rolling stock at its core. The Merger is expected to improve efficiency in the use of resources, effectively reduce operating costs and realise the internationalisation strategy, thereby promoting competition globally. On implementation, the Merger Proposal will involve a merger by absorption by CSR issuing, on the basis of a single Exchange Ratio, approximately but not more than 11,138,692,293 CSR A Shares and 2,347,066,040 CSR H Shares to CNR A Shareholders and CNR H Shareholders respectively in exchange for all of the issued shares of CNR. Following completion of the Merger, the Post-Merger New Company will adopt a new company name, will change its stock names and stock codes used on the Hong Kong Stock Exchange (which are subject to the approval of the Hong Kong Stock Exchange) and the SSE (which are subject to further feasibility discussions), and will implement a series of measures to establish a new corporate governance and management structure, development strategy and corporate culture. The Post-Merger New Company will hold all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR and CNR.

2 Industry Overview

2.1 *Overview of the global rail and rolling stock industry*

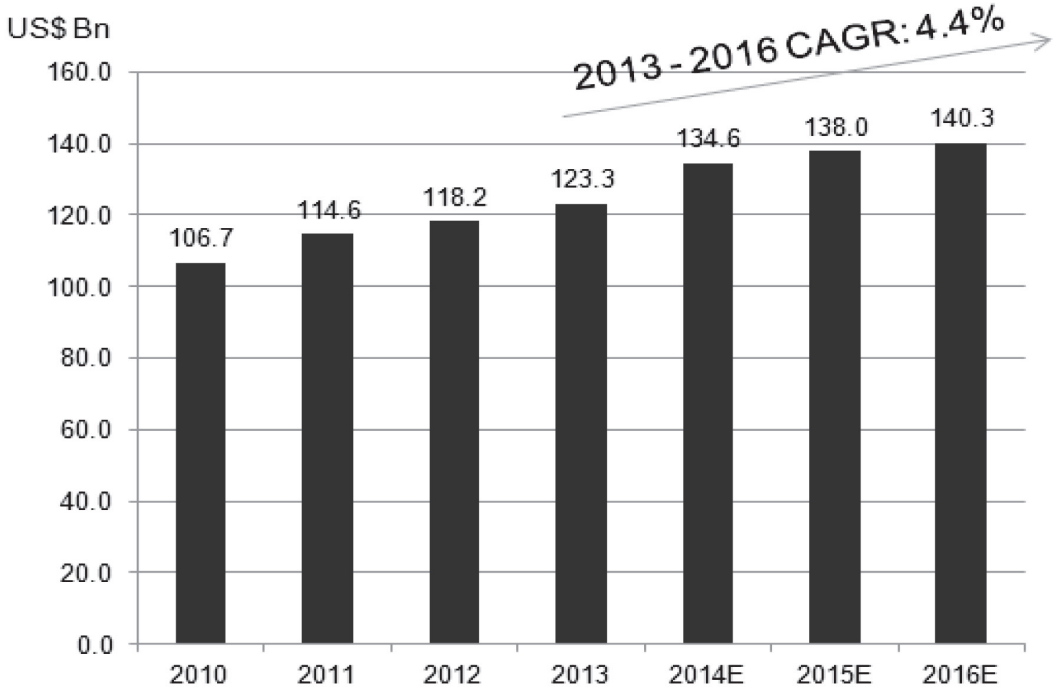
According to SCI Verkehr, an independent consulting firm specialised in traffic economy and traffic engineering with its activities focus on enterprises of the traffic and rail industries, both of the global rail and rolling stock industries had recovered from the economic crisis in 2009. As it had soon picked up its growth again due to various stimulus programs implemented around the globe which resulted in a steady estimated CAGR of 3.7% and 4.4% from 2013 to 2016, respectively. In particular, the global rail industry mainly comprises of five nations, namely, China, US, Russia, Germany and Japan, accounting for up to 50% of the total global market share. In accordance to SCI Verkehr, China had 23% of the total market share with the largest rail market in 2013. The following Exhibit 1 and 2 set forth the growth in both of the global rail and rolling stock markets, respectively:

Exhibit 1[i] Global Rail Market



Source: SCI Verkehr

Exhibit 2[ii, iii] Global Rolling Stock Market



Source: SCI Verkehr

Note:

i. The global rail market value is defined as the value of products and services created at the time of operation and delivery of rail infrastructure, rolling stock and system technology

ii. Includes the manufacturing of Multiple Units ("MUs"), locomotives, passenger coaches, freight wagons and urban rail rapid transit vehicles

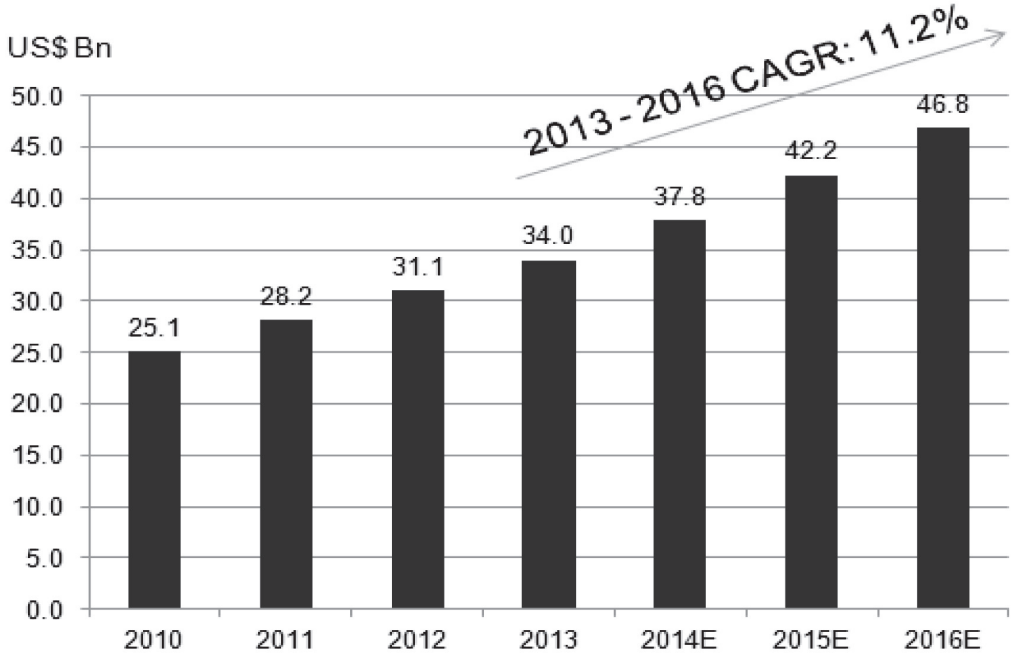
iii. Includes the market value of manufacturing and refurbishment

2.2 ***Overview of China rail industry***

During the 12th Five-Year Plan, the PRC government has planned to increase the High Speed Railway ("HSR") network coverage to reach 19,000 km, representing a CAGR of 31.3% with an increase in overall investment in rail fixed assets to RMB3.3 trillion up from RMB2.2 trillion of its previous 11th Five-Year Plan. The total rail fixed asset investment comprises of rail construction investment, innovation and refurbishment investment and rolling stocks investment. For the rail infrastructure construction investment, it includes new rail construction and rail line transformation. The replacement and refurbishment investment includes rail maintenance and refurbishment of new rolling stock (excluding rapid transit vehicles) while the rolling stock investment includes purchase of new rolling stock. Furthermore, the operating length of total railway was aimed to exceed 120,000 km by 2015. In terms of the rail network aggregated operating length, the ranking of China has moved up to the second place in 2010, exceeding 100,000 km, as a result of its strong state support to the sector.

The Chinese government has targeted to construct a rail network with a double tracking rate of 50% and electrification rate of 60% by the same year. In addition, the Chinese Government has also announced the rail expansion plans which include the "Silk Road Economic Belt Region", the "New Maritime Silk Route for the 21st Century" and the gradual implementation of international rail plans for the Eurasian HSR, HSR in Central Asia and Pan-Asian HSR etc. The fixed asset investment ("FAI") in the rolling stock industry had been relatively stable at a significant amount of approximately RMB104.7 billion. The rolling stock refurbishment market had also demonstrated a stable growth in revenue since 2010 with an estimated CAGR of 11.2% from 2013 to 2016, according to SCI Verkehr, as set forth in Exhibit 3 below. According to the report of the annual rail industry work meeting in January 2014, the national investment in fixed rail assets are expected to amount to approximately RMB700.0 billion in 2014 with the new additional length of new rail lines to reach 6,600 km of the same year. The actual FAI of China Railway Corporation ("CRC") in 2013 was amounted to RMB665.7 billion and was further uplifted to RMB800 billion from RMB720 billion in mid 2014, meanwhile the rolling stock purchase investment increased from RMB120 billion to RMB143 billion.

Exhibit 3[i] Rolling Stock Refurbishment Market



Source: SCI Verkehr

Note:

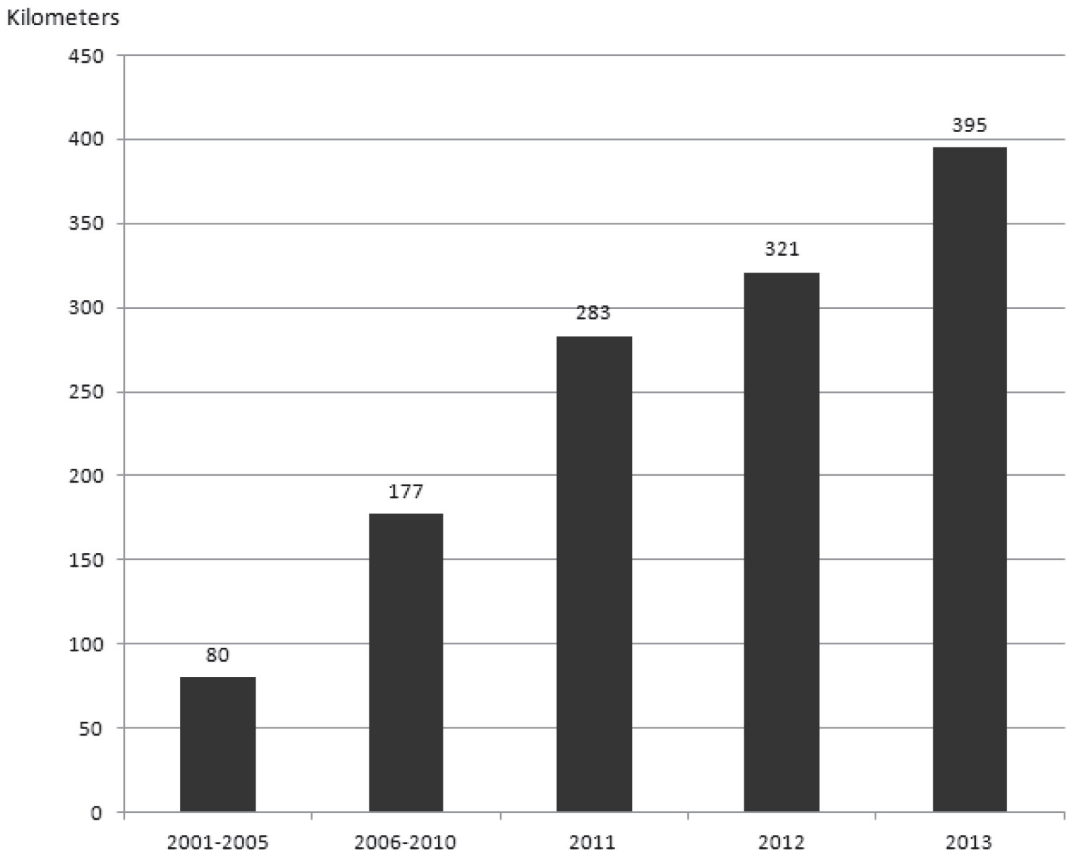
i. Defined as the actual revenue that refurbishment of rolling stock products generated in the year

2.3 *Overview of the urban rapid transit market in China*

The urban rapid transit in China is a type of high-capacity public transport generally found in the urban areas. It is provided on designated lines between stations, which typically include metro, light rail, tram and maglev. China has invested significantly in such transportation system in order to ease the traffic problem which appears to happen in many of its major cities, as well as to improve the efficiency of transportation system to tackle concerns of not being able to further develop in densely populated cities. Since the first publication of 11th Five-Year Plan (2006 to 2010), the Chinese government had invested a significant amount of approximately RMB500 billion during the five year period. Such investment had reached RMB1,200 billion for the next five-year's budget (2011 to 2015). In accordance to the China Association of Metros', an independent association under the supervision of the National Development and Reform Commission,

publication, namely China Urban Transit Market Operating Status in 2013, on 2 Jan 2014, the total operating length of urban rail tracks has increased from 574km in late 2005 to 2,539km in late 2013, which it is also expected to exceed 3,100km in 2014. Further to China Association of Metros' annual update on the actual increase in operating length of urban rapid transit rail in China, we noted that, for the past 3 years, there had been an average of 333km increase in the operating length every year. In particular, government expenditure in regards to the rapid transit market is expected to sustain and increase on an annual basis to have better cities coverage and solve the aforementioned problems, hence, driving the growth in demand for rapid transit vehicles, equipment and rolling stock in China. The following Exhibit 4 sets forth the annual increase in urban rapid transit operating length:

Exhibit 4[i] Increase in Operating Length



Source: China Association of Metros

Note:

i. Data for 2001-2005 and 2006-2010 refers to the annual increase in urban rapid transit rail operating length across the 11th and 12th Five-Year Plan.

3 Information of CSR and CNR

3.1 *Information of CSR*

CSR is a listed company with its shares listed separately on the SSE (as A shares) and the Hong Kong Stock Exchange (as H shares) since 18 August 2008 and 21 August 2008, respectively. CSR engages primarily in research and development, manufacturing, sale, refurbishment and leasing of locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key components, as well as in other extended businesses that utilise proprietary rolling stock technologies. As at the date of this announcement, CSR has 21 directly-held subsidiaries that are wholly owned or controlled by it. In addition to the above, Times Electric (stock code: 3898) and Times New Material (stock code: 600458) are indirectly-held subsidiaries of CSR, and are listed on the Hong Kong Stock Exchange and the SSE, respectively.

Set out below is the financial highlight of CSR's consolidated financial statements in accordance with the International Financial Reporting Standards:

Table 1: Financial highlight of CSR

	2011 *(RMB million) (Audited)*	**2012** *(RMB million) (Audited)*	**2013** *(RMB million) (Audited)*	**Six Months Ended 30 June 2014** *(RMB million) (Unaudited)*	**Ten Months Ended 31 October 2014** *(RMB million) (Unaudited)*
Total Assets	92,786	105,217	121,129	142,306	150,061
Revenue	79,517	89,019	96,525	49,771	93,592
Net profit attributable to owners of the company	3,864	4,009	4,140	2,062	4,545

Source: 2013 Annual Report, 2014 Interim Report of CSR and the Circular

According to CSR's consolidated financial statements prepared in accordance with the International Financial Reporting Standards, CSR's profits before tax and profits after tax for the financial year ended 31 December 2012 were RMB5,593 million and RMB4,852 million, respectively; and CSR's profits before tax and profits after-tax for the financial year ended 31 December 2013 were RMB5,933 million and RMB5,074 million, respectively. CSR's net asset were RMB47,257 million and RMB50,417 million as at 30 June 2014 and 31 October 2014, respectively.

3.2 ***Information of CNR***

CNR is a listed company with its A shares listed on the SSE since 29 December 2009 and its H shares listed on the Hong Kong Stock Exchange since 22 May 2014. CNR's primary businesses are research and development, manufacturing, refurbishment, technology services and leasing of various products such as rolling stock (including multiple units and rapid transit vehicles), mechanical and electric equipment, environmental protection equipment and ancillary components. As at the date of this announcement, CNR has 29 directly-held subsidiaries that are wholly owned or controlled by it.

Set out below is the financial highlight of CNR's consolidated financial statements in accordance with the International Financial Reporting Standards:

Table 2: Financial highlight of CNR

	2011 *(RMB million) (Audited)*	**2012** *(RMB million) (Audited)*	**2013** *(RMB million) (Audited)*	**Six Months Ended 30 June 2014** *(RMB million) (Unaudited)*	**Ten Months Ended 31 October 2014** *(RMB million) (Unaudited)*
Total Assets	97,366	106,582	120,159	148,941	156,517
Revenue	88,811	91,798	96,756	38,654	74,293
Net profit attributable to owners of the company	3,025	3,431	4,129	2,323	4,456

Source: The Prospectus, 2014 Interim Report of CNR and the Circular

According to CNR's consolidated financial statements prepared in accordance with the International Financial Reporting Standards, CNR's profits before tax and profits after tax for the financial year ended 31 December 2012 were RMB4,187 million and RMB3,584 million, respectively. CNR's profits before tax and profits after tax for the financial year ended 31 December 2013 were RMB5,099 million and RMB4,226 million, respectively. CNR's net asset were RMB47,491 million and RMB49,497 million as at 30 June 2014 and 31 October 2014, respectively.

3.3 ***History and Reorganisation of CSR and CNR***

CSR and CNR's respective controlling shareholders, CSRG and CNRG, were both demerged and reorganised from the former 中國鐵路機車車輛工業總公司 (China National Railways Locomotive and Rolling Stock Industrial Corporation).

The former Industrial Bureau of the Ministry of Railways was established in October 1949. In February 1986, the Ministry of Railways established 鐵道部機車車輛工業總公司 (MOR Locomotive and Rolling Stock Industrial Corporation) to take over the role of the Industrial Bureau of the Ministry of Railways, which was renamed 中國鐵路機車車輛工業總公司 (China National Railways Locomotive and Rolling Stock Industrial Corporation) in 1989. In November 2000, China National Railways Locomotive and Rolling Stock Industrial Corporation demerged and reorganised into CSRG and CNRG, each of which was then formally registered with the SAIC in July 2002.

CSRG established CSR on 28 December 2007. In August 2008, CSR was listed on the SSE and the Hong Kong Stock Exchange, respectively.

CNRG established CNR on 26 June 2008. CNR was listed on the SSE in December 2009 and on the Hong Kong Stock Exchange in May 2014.

3.4 ***Impact of the Merger on the shareholding structures of CSR and CNR***

Table 3: Change of shareholding structures

The shareholding structures of CSR and CNR prior to the Merger are as follows:

	Number of A Shares	Percentage of A Shares	Number of H Shares	Percentage of H Shares	Total Number of Issued Shares
CSR	11,779,000,000	85.34%	2,024,000,000	14.66%	13,803,000,000
CNR	10,126,083,903	82.60%	2,133,696,400	17.40%	12,259,780,303

The shareholding structure of the Post-Merger New Company will be as follows:

CSR Shares issued prior to the Merger	11,779,000,000	43.16%	2,024,000,000	7.42%	13,803,000,000
CSR Shares issued in exchange for CNR Shares pursuant to the Merger	11,138,692,293	40.82%	2,347,066,040	8.60%	13,485,758,333
Total issued shares of the Post-Merger New Company	22,917,692,293	83.98%	4,371,066,040	16.02%	27,288,758,333

4 Reasons for and benefits of the Merger Proposal

We noted the reasons for and benefits of the Merger Proposal, the intention of CSR's Board as set out in the Circular, are as follows:

4.1 *Raising the position of the Post-Merger New Company in the rolling stock industry*

As mentioned above, the market share of global rolling stock mainly comprises of five different countries, which collectively accounted for approximately 50% of the market value of global rolling stock industry in 2012, where China had become the world's largest rail market by the same year. According to the SCI Verkehr, CSR and CNR accounted for 14% and 12%, respectively, of the average market share in the global new rolling stock sales for the period of 2010 to 2014, whom were, respectively, the top and second player in this particular sector of the industry. For illustrative purpose on the impact of the Merger and with reference to the market shares in 2014, the total market share of CNR and CSR would be approximately 18% higher than the second leading market player in 2014, Bombardier Inc., a rolling stock manufacturer in Canada. It is expected that following by the Merger Proposal, the Post-Merger New Company will potentially become the largest global market manufacturer.

As noted from the Letter from CSR's Board, the Post-Merger New Company is expected to benefit from the advantages in terms of scale, technologies, products, cost and manufacturing experiences. The Post-Merger New Company will aim to build a multinational and top-tier leading supplier for high end equipment and system solutions provider with rolling stock as its core cross-board operations. With a detailed implementation plan and timetable to be formulated and deliberated upon completion of the Merger, we concur that the anticipated synergies as expected by the management of CSR and CNR is reasonable and feasible.

4.2 *Integrating the technology and resources for R&D of CSR and CNR in order to boost innovative capabilities*

As noted from the Letter from CSR's Board, the Post-Merger New Company is expected to integrate the technology and resources for R&D of CSR and CNR in order to boost innovative capabilities. As part of the business strategies of the Post-Merger New Company, it will aim to consolidate the original different existing technologies of CSR and CNR to achieve a sharing of technology resources and to efficiently allocate research and development resources.

As noted from the Circular, both CSR and CNR have continued to increase investment in science and technology R&D in 2013, amounted to RMB3.6 billion and RMB 2.8 billion which R&D expenses had increased by 18.1% and 7.8% respectively, comparing to the R&D expenditure in 2012. We highlight that both CSR and CNR had included high-power internal combustion locomotive as one of their R&D projects demonstrating over-lapping R&D areas.

Based on the above, we concur that R&D cost for Post-Merger New Company can potentially be reduced and allocated in a cost effective manner, and focus on further increasing the localisation rate and exceed leading international standards and provide a cutting-edge technology advancement over the international competitors.

4.3 ***Increase the international competitiveness of the Post-Merger New Company in overseas markets through unifying overseas resources***

As discussed earlier, the rolling stock manufacturing industry is of special importance in the development of the global rail industry due the rapid economic development and ongoing urbanisation. As noted from the Letter from CSR's Board, the market demand for rolling stock as compared to transportation by other means has continued to increase. In overseas markets, the desire for modern transportation infrastructure and equipment in emerging markets is high. However, as disclosed in the Prospectus, overseas sales in 2013 amounted to approximately RMB6,397 million and RMB7,576 million, which accounted for 6.6% and 7.8% of CSR and CNR's respective total revenue, which both dropped by approximately 25% and 21% comparing with the overseas sales in 2012, respectively.

By establishing an unified market development strategy for overseas market, platform for sharing sales network resources, re-organising sales teams overseas, and building an unified brand image, the Post-Merger New Company is more likely to be able to capture the demand growth in overseas markets which shall be a significant sales momentum for the Post-Merger New Company.

4.4 ***Optimise both parties' product systems to better satisfy customer needs***

As noted from the section of Business Strategies of the Post-Merger New Company in the Letter from CSR's Board, the Post-Merger New Company is expected to benefit from optimising the allocation of resources in procurement and production, providing a wider product range and flexible product solution to better satisfy customer needs and tap into market demand. As disclosed in 2013, 2012 and 2011's Annual Report of CSR, the gross profit margin of CSR had been falling since 2011 from 18.70% to 17.23% in 2013, which we noted from the Annual Report that it has been a result of a change of revenue structure. In the contrary to CSR, and according to the Prospectus, the gross profit margin of CNR had been increasing since 2011 from 13.20% to 17.21% in 2013, which we noted that it is due to a shift in focus from low profit margin business such as mechanical and electronics production to high profit margin business such as MUs production.

It is expected that the Merger Proposal will enable the Post-Merger New Company to have a stronger focus on diverging its product line providing flexible and tailor-made service to customers. The Merger will enable the Post-Merger New Company to suit different needs through the full integration of both CSR and CNR's dominant technologies and build a modularised, standardised and segmented product platforms and components. We are of the view the greater capacity in providing customised and diversified products and sales solutions will enhance the profitability of the Post-Merger New Company going forward.

4.5 ***Coordinate the systems of production, procurement and sales to increase the utilisation efficiency of resources***

It is expected various business strategies will be in place upon the Merger, the Post-Merger New Company will have synergies in coordinating the systems of production, supply and sales; further establish a professional and regional division of works at production bases in order to achieve economies of scale, accelerate delivery time and reduce after-sales costs; integrate the local and overseas supplier system of both parties and achieve economy of scale in procurement; re-deploy sales network resources and further standardise sales strategies in order to improve feedbacks from the market and the ability to serve.

We are of the view that the Post-Merger New Company shall be able to benefit from potential cost savings and, thus, maximizing revenue to increase the return on investment. In particular, the consolidation of various regional division of works at production bases of CSR and CNR, will improve the existing quality of serving clients in different geography, providing a better after-sales service and product delivery. Resources can also be allocated more efficiently to areas which are most desired such as developing a professional and regional division of works at production bases to capture to full benefit of economy of scale, hence, improving the business operation model. In addition, sales network resources and sales strategies can be unified once the transaction is completed and it shall improve the chance of suiting the market's needs and the ability to serve.

4.6 ***Create diversified business segments and promote the development of new industries***

As per our discussion with the Management of CSR, we understand that with a greater capability of utilising the internal resources of both CSR and CNR, such as management, capital and talent, the new Post-Merger New Company might be able to increase its overall ability to resist risk. Thus, utilising the resources of the rolling stock segment to promote the cross-over development and divert into new industries, such as renewable energy, new materials and finance and modern services.

The management of CSR further believes that the Post-Merger New Company will be able to achieve some degree of finance cost synergies from the potential sharing of the usage of funds on a broader scale, so as to improve financing capabilities and leverage in investment negotiation, lower finance costs and increase profitability. As discussed with the management of CSR, CSR considers that the Merger will improve and strengthen CSR's business bargaining position. As disclosed in the Circular, CSR has a net operating cash flow of approximately RMB5,412 million and CNR has a net operating cash flow of approximately RMB4,887 million. Thus, CSR shall be able to leverage on its enlarged balance sheet and stronger positive operating cash flow to strive for the best interest of its shareholders.

In the light of the above, we are of the view that the Merger Proposal is in line with CSR's business strategy and in the interests of and beneficial to CSR.

5 **Principal terms of the Merger Agreement**

Parties : CSR and CNR;

Overview of the Merger Proposal : In accordance with the terms of the Merger Agreement and the merger principles of ensuring a merger of equals, focusing on the future and ensuring the Merger is carried out in compliance with regulations, the Post-Merger New Company will adopt a new company name and organisation code, stock names and stock codes, new corporate governance structure, strategic positioning, organisational structure, management system and company brand. The Merger will be technically implemented by CSR merging with CNR by way of absorption and share exchange, namely CSR will issue CSR A Shares to the CNR Share-Exchange Shareholders holding A shares and CSR H Shares to the CNR Share-Exchange Shareholders holding H shares, will apply to have the CSR A Shares and CSR H Shares to be issued under the Merger listed and traded on the SSE and the Hong Kong Stock Exchange, respectively, and the CNR A Shares and CNR H Shares will be deregistered. The Post-Merger New Company will, at the same time, hold all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR and CNR, through which an equal merger of both parties will be achieved. The Merger will be effective as provided for by the Company Law of the PRC and shall be in compliance with the Hong Kong Listing Rules and the Takeovers Code.

Consideration	:	CSR will issue a maximum of 11,138,692,293 CSR A Shares and 2,347,066,040 CSR H Shares at the Exchange Ratio in exchange for a maximum of 10,126,083,903 CNR A Shares and 2,133,696,400 CNR H Shares respectively, which equates to 1.10 CSR A Shares being issued in exchange for one CNR A Share, and 1.10 CSR H Shares being issued for one CNR H Share. The CSR A Shares and CSR H Shares to be issued under the Merger will be listed and traded on the SSE and the Hong Kong Stock Exchange, respectively.
Put option of dissenting shareholders	:	CNR shall grant the CNR Put Option to its dissenting shareholders. CSR shall grant the CSR Put Option to its dissenting shareholders. Please refer to the Letter from CSR's Board, item 7 of the section headed "3. Merger Proposal — Protection mechanism for CSR Dissenting Shareholders" and item 8 of the section headed "3. Merger Proposal — Protection mechanism for CNR Dissenting Shareholders" for details.
Conditions to becoming effective	:	The Merger Agreement shall become effective upon satisfaction of all of the following conditions (none of which shall be capable of being waived): (1) obtaining approvals of the CSR EGM, the CSR H Shareholders' Class Meeting and the CSR A Shareholders' Class Meeting; (2) obtaining approvals of the CNR EGM, the CNR H Shareholders' Class Meeting and the CNR A Shareholders' Class Meeting (in terms of the CNR H Shareholders' Class Meeting, CNR H Shareholders will be considered to have passed the resolutions if (i) the Merger is approved by at least 75% of the votes attaching to the disinterested shares held by CNR H Shareholders that are cast either in person or by proxy at the CNR H Shareholders' Class Meeting; and (ii) the number of votes cast against the resolution to approve the Merger at the CNR H Shareholders' Class Meeting is not more than 10% of the votes attaching to all disinterested shares held by CNR H Shareholders);

(3) (i) obtaining approvals from SASAC and the CSRC (each in respect of the Merger Proposal); and (ii) obtaining clearance from the Executive in respect of the circulars to be issued to CSR Shareholders and to CNR Shareholders in connection with the Merger; and

(4) obtaining approval from the Hong Kong Stock Exchange for listing of the CSR H Shares to be issued as consideration of the share-exchange.

Conditions to implementation : Provided that the Merger Agreement has become effective, the implementation of the Merger shall be subject to satisfaction or appropriate waiver from CSR and CNR (except for the condition referred to in paragraph (3) below, which shall not be capable of being waived) of the following conditions:

(1) all necessary PRC domestic anti-trust filings for the Merger having been formally submitted and clearance having been obtained;

(2) for the purposes of the Merger, CSR and CNR having submitted anti-trust filings in the applicable jurisdictions where notification is legally required before completion of the Merger, and having obtained or being deemed to have obtained all necessary approvals in relation to the Merger from the anti-trust authorities of such jurisdictions; and

(3) the Executive having granted, and not having withdrawn or revoked such grant of, the Whitewash Waiver and all conditions to the Whitewash Waiver having been satisfied including, among other things, obtaining the approval by poll by a simple majority of the independent CSR Shareholders present at the CSR EGM (which will not include CSRG and parties acting in concert with it).

Completion : Subject to the satisfaction of all conditions required for the Merger Agreement to become effective and satisfaction or appropriate waiver by CSR and CNR of all conditions to implementation (except for the condition referred to in paragraph (3) above, which shall not be capable of being waived), the Merger shall complete on the later of the date on which CSR completes its business registration update in relation to the Merger and the date on which CNR completes the cancellation of its business registration.

Termination : The Merger Agreement may be terminated in any of the following circumstances:

(1) if a competent government authority restricts or prohibits the completion of the Merger, either CNR or CSR will be entitled to terminate the Merger Agreement by written notice;

(2) if the Merger Agreement cannot be performed due to any force majeure event which continues for 60 days, either CNR or CSR will be entitled to terminate the Merger Agreement by written notice; or

(3) if one party commits a material breach of the Merger Agreement and such material breach is not remedied within 30 days following written notice from the non-defaulting party to the defaulting party, the non-defaulting party will be entitled to unilaterally terminate the Merger Agreement by written notice.

6 **Basis of determining the Exchange Ratio**

The Exchange Ratio is 1.10 CSR H Shares for every 1 CNR H Shares. The Exchange Ratio represents an implied premium for CNR H Shareholders when compared with the ratio between the market prices of CNR H Shares and CSR H Shares during the specified trading period.

	Trading Periods Including the Last Trading Date			Latest
	1 Trading Day	**20 Trading Days**	**60 Trading Days**	**Practicable Date**
Ratio between the market prices of CNR H Shares and CSR H Shares[i]	0.985	0.985	0.961	1.05
Implied premium of the Exchange Ratio[ii]	**11.7%**	**11.7%**	**14.5%**	**4.8%**

Source: Bloomberg and the Circular

Note:

i. The market prices are the volume-weighted average prices during the specified trading period.

ii. Implied premium of the Exchange Ratio = 1.1/(market price of CNR H Shares/market price of CSR H Shares) -1. The ratio is calculated by comparing the Exchange Ratio with the ratio determined by dividing the volume-weighted average prices of CNR H Shares by the volume-weighted average prices of the CSR H Shares for the specified trading period.

6.1 ***Historical share price of CSR H Shares and CNR H Shares***

Exhibit 5: Share price of CSR H Shares and CNR H Shares

Source: Bloomberg

The chart above depicts the closing prices of the CSR H Shares and CNR H Shares from 3 January 2011 up to the Latest Practicable Date. We note from the chart that policies imposed by the PRC Government have a positive impact on the share price's performance. In addition, we would like to highlight the share price movements of CSR H Shares and CNR H Shares that after the suspension of trading in October 2014, market had speculated on the merge of CSR and CNR. Upon the day of trading resumption, both CSR H Shares and CNR H shares had a significant increase by 32% and 45% respectively, demonstrating a positive perception, by the market, to the Merger Proposal.

The overall share price performances of CSR H Shares and CNR H Shares have demonstrated to be highly correlated to each other for the past 5 years and we believe it is largely due to both the similar business model and scale of CSR and CNR.

6.2 ***Comparable Companies Analysis***

As stated in the Letter from CSR's Board in the Circular, a single Exchange Ratio has been agreed in respect of the Merger for H shares of CSR and CNR. The Exchange Ratio is 1:1.10, meaning that each CNR H Share shall be exchanged for 1.10 CSR H Shares to be issued by CSR.

With reference to the Letter from CSR's Board, the Exchange Ratio has been agreed by taking the volume-weighted average prices of the relevant shares for the 20 trading days immediately prior to and including the Last Trading Date as the market reference prices, and giving full consideration to factors such as historical share prices, operating results and market capitalisations, and through arm's length negotiations. Specifically, the market reference price for CSR H Shares is HK$7.32 per share, and the market reference price for CNR H Shares is HK$7.21 per share. Based on the market reference price and the Exchange Ratio, the exchange price of CSR H Shares has been determined as HK$7.32 per share, and the exchange price of CNR H Shares have been determined as HK$8.05 per share.

In order to facilitate our analysis on the Consideration, for illustrative purpose, based on the closing share price of CSR H Shares of HK$7.89 per share as at the Last Trading Date and the Exchange Ratio of 1:1.10 CSR H Shares being issued by CSR in exchange for each CNR H Share, the value of the consideration for each CNR H Share is equivalent to a value of approximately HK$8.68 as at the Last Trading Date (the "Implied Value of Consideration on CNR H Shares").

In order to assess the fairness and reasonableness of the Consideration, we have attempted to identify all comparable companies of CSR and CNR (the "Comparable Companies") that (i) are currently listed on the Main Board of the Hong Kong Stock Exchange Limited; (ii) with principal business in research and development and providing facilities in the China railway industry.

The Comparable Companies have been selected exhaustively based on the above criteria, with reasonably sufficient samples for comparison purpose and which has been identified, to the best of our endeavours, in our research through the public information. Although CSR H Shares and CNR H Shares are the subject companies in the Transaction, we include CSR H Shares and CNR H Shares in the Comparable Companies Analysis given the fact that (i) the Comparable Companies Analysis is aimed to compare the market value of the industry performance to the Implied Value of Consideration on CNR H Shares; and (ii) both CSR and CNR are leading enterprises in the China railway industry with well-established operating scales, their stand-alone trading performances are representative indicators on the overall trading performance in the China railway industry.

In our assessment, we have considered the price to earnings ratio (the "P/E") and price-to-book (the "P/B") ratio which are commonly used as benchmarks in valuing railway business.

As stated in the Merger Agreement in the Circular, the Merger will be technically implemented by CSR merging CNR by way of absorption and share exchange, namely CSR will issue CSR H Shares to the CNR Share-Exchange Shareholders holding H shares, will apply to have the CSR H Shares to be issued under the Merger listed and traded on the Hong Kong Stock Exchange and the CNR H Shares will be deregistered. The Comparable Companies listed on the Hong Kong Stock Exchange are set out below in Table 4.

Table 4: Comparable Companies listed on the Hong Kong Stock Exchange:

Company Name	**Stock code**	**Market capitalisation** *HK$ million (Note i)*	**P/E ratio** *times (Note ii)*	**P/B ratio** *times (Note iii)*
China Railway Group Limited	390	92,655	7.91	0.83
China Railway Construction Corporation Limited	1186	92,902	7.18	0.92
CSR H Shares	1766	108,906	21.04	2.38
CNR H Shares	6199	93,910	18.20	1.99
Zhuzhou CSR Times Electric Co. Limited	3898	39,202	21.38	3.31
Maximum			**21.38**	**3.31**
Minimum			**7.18**	**0.83**
Simple average			**15.14**	**1.89**
Implied Value of Consideration on CNR H Shares (HK$) ***(Note iv)***			**20.62**	**2.25**

Source: Bloomberg, www.hkexnews.hk, annual and interim reports

Notes:

i. Market capitalizations are calculated by multiplying the closing share prices to the total number of issued shares of the Comparable Companies on the Last Trading Date. The closing share prices and total number of issued shares of Comparable Companies are sourced from Bloomberg and the most recent interim reports.

ii. P/E is calculated by dividing the market capitalisation by the net profit attributable to the shareholders of the Comparable Companies for the most recent financial year, based on exchange rate of RMB1/HK$1.25.

iii. P/B is calculated by dividing the market capitalisation by the equity attributable to shareholders of the Comparable Companies as at the most recent year-ended, based on exchange rate of RMB1/HK$1.25.

iv. Implied Value of Consideration on CNR H Shares is calculated by multiplying the closing share price of CSR H Shares to the Exchange Ratio.

6.2.1 P/E

As illustrated in Table 4, the P/E of the Comparable Companies listed on the Hong Kong Stock Exchange range from 7.18 times to 21.38 times (the "P/E Range of H Shares Comparable Companies"), with an average of 15.14 times (the "Average P/E of H Shares Comparable Companies"). We note that the P/E of the Implied Value of Consideration on CNR H Shares is higher than the Average P/E of H Shares Comparable Companies, but is within the Average P/E of H Shares Comparable Companies.

6.2.2 P/B

As stated in Table 4, the P/B of the Comparable Companies listed on the Hong Kong Stock Exchange range from 0.83 times to 3.31 times (the "P/B Range of H Shares Comparable Companies"), with an average of 1.89 times (the "Average P/B of H Shares Comparable Companies"). The P/B of the Implied Value of Consideration on CNR H Shares is higher than the Average P/B of H Shares Comparable Companies, but is within the P/B Range of H Shares Comparable Companies.

6.3 ***Contribution Analysis***

In addition, we have reviewed the financial performance of CSR and CNR, as disclosed in the Circular, in order to assess the reasonableness of the Exchange Ratio from their respective contributions.

Table 5: Comparison of key financial data of CSR and CNR

Expressed in RMB	**CSR** *(Note i)*	**CNR** *(Note ii)*	**Ratio of CNR:CSR**
For the year ended 31 December 2013			
Revenue per share	6.99	7.89	1:1.13
Earnings before interest, taxes, depreciation and amortisation ("EBITDA") per share	0.58	0.69	1:1.19
Earnings per share	0.30	0.34	1:1.13
As at 31 December 2013			
Net asset value ("NAV") per share	2.65	3.08	1:1.16
Exchange Ratio			**1:1.10**

Source: Appendix I (Financial Information on CSR Group) and Appendix II (Financial Information on CNR Group) in the Circular

Notes:

(i) 13,803,000,000 CSR Shares in issue as at the Latest Practicable Date is used as the denominator.

(ii) 12,259,780,303 CNR Shares in issue as at the Latest Practicable Date is used as the denominator.

As illustrated in Table 5 above, each of the ratio between revenue per CNR Share and revenue per CSR Share for the year ended 31 December 2013, between EBITDA per CNR Share and EBITDA per CSR Share for the year ended 31 December 2013, between earnings per CNR Share and earnings per CSR Share for the year ended 31 December 2013, and NAV per CNR Share and NAV per CSR Share as at 31 December 2013, respectively, is generally in line with the Exchange Ratio.

Therefore, we are of the view that the Exchange Ratio proposed in the Merger Proposal is reasonable to CSR as compared to the ratio of contribution from CSR and CNR based on the matrices illustrated above.

In the light of the above, we are of the view that the Consideration is fair and reasonable and in the interests of CSR and CSR Shareholders as a whole.

7 Financial impacts of the Merger

Upon Completion of the Transaction, CSR and CNR will become a merged company forming the Post-Merger New Company and the financial information of the two companies will be consolidated. Disinterested CSR Shareholders should note that the discussion of the financial impacts of the Merger is based on the illustrative scenario provided in the Pro Forma Financial Information of the Enlarged Group in the Appendix III to the Circular, which is based, inter alia, on the assumption that Completion had taken place on 31 December 2013.

Please note that the pro forma financial information of the Enlarged Group is calculated for illustrative purpose only based on historical financial information, and hence does not represent any indication to the future financial performance of the Post-Merger New Company upon completion of the Merger Proposal.

7.1 *Effect on earnings per share*

As stated in the 2013 Annual Report of CSR, the profit attributable to equity holders of CSR amounted to approximately RMB4,140 million for the year ended 31 December 2013. The earnings per share of CSR, based on 13,803,000,000 CSR Shares in issue as at the Latest Practicable Date, is approximately RMB0.30.

As stated in the Appendix II (Financial Information on CNR Group) in the Circular, the profit attributable to equity holders of CNR amounted to approximately RMB4,129 million for the year ended 31 December 2013. The earnings per share of CNR, based on 12,259,780,303 CNR Shares in issue as at the Latest Practicable Date, is approximately RMB0.34.

As stated in the Appendix III (Pro Forma Consolidated Financial Information of the Enlarged Group), the Merger's profit attributable to equity holders will amount to approximately RMB8,119 million. The earnings per share of Post-Merger New Company, based on 27,288,758,333 shares in issue upon completion of the Merger Proposal, will be approximately RMB0.30.

Upon completion of the Transaction, it is expected that there will be no material impact on the earnings per share. Overall, we believe that, as per the reasons discussed in the section headed, "Reasons for and benefits of the Merger Proposal", the profitability might increase in the long run.

7.2 ***Effect on net asset value ("NAV") per share***

As stated in the 2013 Annual Report of CSR, NAV attributable to equity holders of CSR was approximately RMB36,560 million as at 31 December 2013. The NAV per share of CSR, based on 13,803,000,000 CSR Shares in issue as at the Latest Practicable Date, is approximately RMB2.65.

As stated in the Appendix II (Financial Information on CNR Group) in the Circular, the net asset value ("NAV") attributable to equity holders of CNR was approximately RMB37,780 million as at 31 December 2013. The NAV per share of CNR, based on 12,259,780,303 CNR Shares in issue as at the Latest Practicable Date, is approximately RMB3.08.

As stated in the Appendix III (Pro Forma Consolidated Financial Information of the Enlarged Group), the Merger's NAV attributable to equity holders will be approximately RMB74,155 million. The NAV per share of Post-Merger New Company, based on 27,288,758,333 shares in issue upon completion of the Merger Proposal, will be approximately HK$2.72.

Upon completion of the Transaction, it is expected to see a rise in NAV per share of Post-Merger New Company of approximately 3%. The main reason for the positive impact in the NAV per share is due to a significant higher underlying asset value of CNR that will be injected into CSR.

7.3 ***Effect on debt to asset ratio***

As stated in the 2013 Annual Report of CSR, the consolidated total asset value of CSR was approximately RMB121.1 billion with a debt to asset ratio of approximately 62% as at 31 December 2013.

As stated in the Appendix II (Financial Information on CNR Group) in the Circular, the consolidated total asset value of CNR was approximately RMB120.2 billion with a debt to asset ratio of approximately 67% as at 31 December 2013.

As stated in the Appendix III (Pro Forma Consolidated Financial Information of the Enlarged Group), the Merger's consolidated total asset value will be approximately RMB240.3 billion. The debt to asset ratio of the Merger will be approximately 64%.

Upon completion of the Transaction, it is expected to see a rise in debt to asset ratio of Post-Merger New Company of approximately 2%, which we consider it to be immaterial. The main reason for the impact is due to a higher gearing level of CNR that will be reflected in the Post-Merger New Company. However, we consider that the gearing level shall be improved under the positive impact that the Merger Proposal might bring in the long run. We expect to see the Merger to have a higher profitability and hence, higher margin could be used to offset the level of gearing and the reliance on financing through debt may be lowered.

In view of (i) immaterial impact on the earnings per share of the Post-Merger New Company; (ii) the positive impact on the net asset value per share of the Post-Merger New Company; and (iii) the immaterial adverse impact on debt to asset ratio which may be improved in the long run overall, we are of the view that the Transaction will have an overall positive financial effect on the Post-Merger New Company in the long run and be in the interest of the Post-Merger New Company and its shareholders as a whole.

II THE WHITEWASH WAIVER

1 Background

As at the Latest Practicable Date: (i) CSRG directly and indirectly holds 7,889,406,857 CSR A Shares representing approximately 57.15% of the total issued share capital of CSR; and (ii) CNRG directly and indirectly holds 6,700,158,074 CNR A Shares representing approximately 54.65% of the total issued share capital of CNR.

Based on the Exchange Ratio and assuming that neither CSR nor CNR issues further or buys back CSR Shares or CNR Shares, respectively, upon completion of the Merger: (i) CSRG will directly and indirectly hold 7,889,406,857 CSR A Shares representing approximately

28.91% of the total issued share capital of the Post-Merger New Company; and (ii) CNRG will directly and indirectly hold 7,370,173,881 CSR A Shares representing approximately 27.01% of the total issued share capital of the Post-Merger New Company. There will be no acquisition of control (as such term is defined in the Takeovers Code) by CSRG or CNRG on completion of the Merger.

However, CSRG and CNRG will fall into the class (1) presumption of "acting in concert" (as set out in the definition of "acting in concert" in the Takeovers Code) in respect of the Post-Merger New Company upon completion of the Merger.

Further, after completion of the Merger, CSRG and CNRG may merge, among other things, to facilitate the management of their respective interests in the Post-Merger New Company. There is no certainty as to whether CSRG or CNRG will merge nor the timing of any such possible merger.

To preclude any uncertainty on the part of CSR Shareholders, CNR Shareholders and investors more generally as to whether CSRG and/or CNRG would be obliged to make a mandatory general offer for the issued shares not held by them in the Post-Merger New Company after completion of the Merger by virtue of falling into the class (1) presumption of "acting in concert" (as set out in the definition of "acting in concert" in the Takeovers Code) in respect of the Post-Merger New Company or when and if CSRG and CNRG were to merge in the future, CSRG and CNRG will make an application to the Executive for the grant of a Whitewash Waiver pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code. Such application will be made by CSRG and CNRG on a voluntary basis. Such Whitewash Waiver would waive any obligations on CSRG, CNRG and/or any successor entity resulting from the merger of CSRG and CNRG to make a mandatory general offer for all the issued shares in the Post-Merger New Company not already owned by them as a result of and after completion of the Merger and/or any future possible merger of CSRG and CNRG.

The Whitewash Waiver, if granted by the Executive, would be conditional upon, among other things, the approval by poll by a simple majority of the independent CSR Shareholders at the CSR EGM (which will not include CSRG and parties acting in concert with it) for the purpose of fulfilling the Takeovers Code requirement of obtaining approval of the Whitewash Waiver through an independent vote at a meeting of the holders of the relevant class of securities.

2 **Dilution effect on the shareholding interests of the existing CSR H Shareholders**

	Existing shareholding of CSR as at the Latest Practicable Date	**Shareholding structure of Post-Merger New Company after Completion of the Merger**
	%	%
CSRG and its wholly owned subsidiary	57.15%	28.91%
Other CSR A Shareholders	28.19%	14.25%
CSR H Shareholders	14.66%	7.42%
CNRG and its wholly owned subsidiary		27.01%
Other CNR A Shareholders		13.81%
CNR H Shareholders		8.60%
Total	100.00%	100.00%

We noted that the shareholding interest of the existing CSR H Shareholders is subject to dilution of the aforementioned extent as a result of the Merger. However, we consider that the dilution is inevitable in the case of merger of this type which is being financed without incurring any cash outlay or additional liabilities to satisfy the consideration.

Given the potential benefits of the Merger to CSR as mentioned in the section headed "I. The Merger Proposal of this letter" and the terms of the Merger Agreement being fair and reasonable and on normal commercial terms so far as the CSR H Shareholders are concerned, we are of the view that potential dilution effect is acceptable.

Having considered (i) the Merger Proposal is fair and reasonable and in the interests of CSR, the CSR Independent Board Committee and CSR Shareholders as a whole; (ii) if the Whitewash Waiver is not approved by the CSR H Shareholders at the CSR EGM then the Merger will not proceed; and (iii) the potential dilution effect is acceptable, we are of the view that the approval of the Whitewash Waiver in the interests of CSR and CSR Shareholders as a whole.

RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, taken into account the following in arriving at our opinion:

(i) upon the completion of executing the Merger Proposal, it shall enable the Post-Merger New Company to raise the position in the rolling stock industry, which it is expected to provide greater bargaining power in areas such as financial leverage and reduce cost on procurement;

(ii) upon the completion of executing the Merger Proposal, the Merger shall be able to integrate and efficiently allocate the R&D resources, problems such as duplicative development efforts will be avoided. This is believed to enhance its technology advantage over its competitors;

(iii) upon the completion of executing the Merger Proposal, we expect that the Merger to have synergies in restructuring the overseas sales resources, unifying overseas expansion plans with an unified brand image to improve the global competitiveness, capturing the global demand growth;

(iv) upon the completion of executing the Merger Proposal, the Merger shall be able to benefit from the efficient resources allocation which allow the Merger to optimise the product system. In addition, it frees up available resources for improving its product base and services to better satisfy customer needs and embrace a higher profitability;

(v) upon the completion of executing the Merger Proposal, the Merger is believed to increase the utilisation efficiency of resources and improve in coordinating the systems of production, procurement and sales;

(vi) upon the completion of executing the Merger Proposal, we believe the Merger is exposed to greater business opportunities and shall be able to divert into new industries;

(vii) both of the P/E and P/B of the Implied Value of Consideration on CNR H Shares are higher than the Average P/E of H Shares Comparable Companies and the Average P/B of H Shares Comparable Companies, respectively, but are within the P/E Range of H Shares Comparable Companies and P/B Range of H Shares Comparable Companies, respectively. We believe the Consideration is fair and reasonable and in the interests of CSR and CSR Shareholders as a whole;

(viii) given that the contribution ratios between CSR and CNR of their respective financial performances are generally in line with the Exchange Ratio, we believe the Exchange Ratio is fair and reasonable and in the interests of CSR and CSR Shareholders as a whole;

(ix) the Merger Proposal will have a positive financial effect on CSR, in particular, in the long run; and

(x) the Whitewash Waiver is a prerequisite for completion of the Merger,

Having considered the above, we are of the view that the Merger and the Whitewash are fair and reasonable, and are in the interests of CSR and its shareholders as a whole. We therefore recommend the CSR Independent Board Committee to advise the disinterested CSR Shareholders, to vote in favour of the resolutions in relation to the Merger at the CSR EGM and CSR H Shareholders' Class Meeting, and the resolution in relation to the Whitewash Waiver at the CSR EGM.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited

Liu Chee Ming	**Lenny Li**
Managing Director	*Director and Co-head of Corporate Finance*

Both Mr. Liu Chee Ming and Mr. Lenny Li are licensed persons registered with the Securities and Futures Commission and as responsible officers of Platinum Securities Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Liu Chee Ming and Mr. Lenny Li have over thirty years and eight years of experience in corporate finance industry, respectively.

1 CSR FINANCIAL INFORMATION

Information that related to CSR financial statements as at 31 December of 2011, 2012 and 2013 has been disclosed in the Annual Report of 2011, 2012 and 2013 in accordance with International Financial Reporting Standard ("**IFRS**") and has published its unaudited interim financial statements which is in accordance with IFRS for the period ended 30 June 2014 in the interim report released on 22 August 2014. Details of the financial statements have been published in the Hong Kong Stock Exchange Web site (http://www.hkexnews.hk) and CSR website (www.csrgc.com.cn).

The audited consolidated financial statements of CSR as of and for the ten months ended 31 October 2014 have been prepared by the directors in accordance with PRC GAAP as set forth in Section 8 have been derived from audited consolidated financial statements for the relevant period.

2 FINANCIAL SUMMARY

The following information was extracted from CSR audited annual report for the year ended 31 December 2011, 2012, and 2013, and unaudited financial information in six month from the interim report of CSR as at 30 June 2014.

The auditor of CSR, Ernst & Young Certified Public Accountants, did not express qualified audit opinion on the audited consolidated financial statement for the year ended 31 December of 2011, 2012 and 2013.

Selected items from the consolidated statement of profit or loss and other comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	79,516,958	89,019,449	96,525,052	36,440,885	49,771,093
Profit before tax	5,442,127	5,592,670	5,933,471	2,017,987	3,232,192
Income tax expense	(698,887)	(740,455)	(859,318)	(344,237)	(614,588)
Profit for the year/period	4,743,240	4,852,215	5,074,153	1,673,750	2,617,604

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Attributable to:					
Owners of the parent	3,864,153	4,009,458	4,139,972	1,461,406	2,061,911
Non-controlling interests	879,087	842,757	934,181	212,344	555,693
	4,743,240	4,852,215	5,074,153	1,673,750	2,617,604
Dividends for the year/period	2,484,540	1,242,270	1,242,270	—	—
Earnings per share — Basic *(RMB)*	0.326	0.299	0.30	0.11	0.15
Dividends *(RMB)*	0.18	0.09	0.09	—	—

3 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following financial information is extracted from the audited consolidated financial statements of CSR for the year ended 31 December 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	5	96,525,052	89,019,449
Cost of sales		(79,896,059)	(73,264,022)
Gross profit		16,628,993	15,755,427
Other income and gains, net	5	1,481,884	1,069,723
Selling and distribution expenses		(3,085,197)	(3,152,751)
Administrative expenses		(8,561,806)	(7,687,561)
Other expenses, net	6	(347,845)	(168,766)
PROFIT FROM OPERATIONS		6,116,029	5,816,072
Finance costs	7	(546,350)	(764,356)
Share of profits and losses of:			
Joint ventures	19	360,290	541,013
Associates	20	3,502	(59)
PROFIT BEFORE TAX	6	5,933,471	5,592,670
Income tax expense	10	(859,318)	(740,455)
PROFIT FOR THE YEAR		5,074,153	4,852,215

	Notes	2013 RMB'000	2012 RMB'000
Attributable to:			
Owners of the parent	13	4,139,972	4,009,458
Non-controlling interests		934,181	842,757
		5,074,153	4,852,215
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	13	30.0 cents	29.9 cents
— Diluted	13	30.0 cents	29.9 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	As at 31 December 2013 RMB'000	As at 31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	25,200,595	22,970,563
Prepaid land lease payments	15	4,520,593	4,456,656
Goodwill	16	61,386	97,147
Other intangible assets	17	741,875	554,326
Investments in jointly-controlled entities	19	2,111,224	1,753,479
Investments in associates	20	842,393	819,076
Loans and advances to customers		30,000	—
Available-for-sale investments	21	708,842	526,630
Deferred tax assets	10	586,193	469,695
Other non-current assets	22	3,373,530	1,308,337
Total non-current assets		38,176,631	32,955,909
CURRENT ASSETS			
Inventories	23	17,721,119	18,770,236
Trade receivables	24	34,120,810	26,618,776
Bills receivable	25	6,196,202	3,735,597
Prepayments, deposits and other receivables	26	8,457,464	8,058,186
Financial assets at fair value through profit or loss	27	6,746	7,346
Derivative financial instruments	28	4,243	2,243
Tax recoverable		46,060	24,314
Pledged deposits	29	1,495,037	547,429
Cash and cash equivalents	29	14,905,100	14,497,265
Total current assets		82,952,781	72,261,392

	Notes	As at 31 December 2013 RMB'000	As at 31 December 2012 RMB'000
CURRENT LIABILITIES			
Trade payables	30	31,798,126	26,714,857
Bills payable	31	13,574,959	12,948,103
Other payables and accruals	32	12,523,543	11,929,561
Interest-bearing bank and other borrowings	33	7,606,292	8,595,597
Defined benefit obligations	34	133,410	138,200
Tax payable		500,684	461,236
Due to customers		33,157	—
Provision for warranties	35	595,196	479,453
Government grants	36	234,832	271,407
Total current liabilities		67,000,199	61,538,414
NET CURRENT ASSETS		15,952,582	10,722,978
TOTAL ASSETS LESS CURRENT LIABILITIES		54,129,213	43,678,887
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	3,568,511	727,376
Defined benefit obligations	34	1,232,950	1,437,450
Provision for warranties	35	1,147,285	972,229
Government grants	36	1,815,032	927,214
Deferred tax liabilities	10	61,210	45,427
Other non-current liabilities		149,594	59,330
Total non-current liabilities		7,974,582	4,169,026
Net assets		46,154,631	39,509,861

	Notes	As at 31 December 2013 RMB'000	As at 31 December 2012 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	38	13,803,000	13,803,000
Reserves		21,514,633	17,710,157
Proposed final dividend	12	1,242,270	1,242,270
		36,559,903	32,755,427
Non-controlling interests		9,594,728	6,754,434
Total equity		46,154,631	39,509,861

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

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

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

Note 1: In the year 2013, pursuant to the resolutions of general meeting of 2012 of Zhuzhou CSR Times Electric Co., Ltd. ("ZTE"), the subsidiary of the Group, revised articles of association, and the approval from the China Securities Regulatory Commission ("CSRC") (Zheng Jian Xu Ke [2012] No. 678), ZTE completed the public issue of 91,221,000 overseas listed foreign shares with par value RMB1.00 each, and the issue price was HKD 25 per share in Hong Kong, which caused non- controlling interests to increase RMB1,775,950,000.

In the year 2013, pursuant to the resolutions of the first extraordinary general meeting of 2013 of Zhuzhou Times New Material Technology Co., Ltd. ("ZTNM"), the subsidiary of the Group, and "Approval of right issue of Zhuzhou Times New Material Technology Co., Ltd." (Zheng Jian Xu Ke [2013] No. 208) from the CSRC, ZTNM offered 3 shares for every 10 to all shareholders, based on the total share capital of 517,341,440 on 30 September 2011, which caused non-controlling interests to increase RMB736,628,000.

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

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

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

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

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

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

Note 1: The Company completed the non-public issue of 1,963,000,000 A shares with par value RMB1.00 each, and the issue price was RMB4.46 per share, which was approved by the China Securities Regulatory Commission ("CSRC") through Zheng Jian Xu Ke [2012] No. 210) on 20 February 2012. The net amount of proceeds from the non-public issue of A shares was RMB8,699,405,000, including share capital which increased by RMB1,963,000,000, and capital reserve which increased by RMB6,736,405,000.

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

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

	Notes	2013 RMB'000	2012 RMB'000
Decrease in defined benefit obligations		(209,290)	(143,450)
Increase in provision for warranties		290,799	317,316
(Increase)/decrease in other non-current assets		(95,357)	208,056
Cash generated from operations		6,209,933	3,017,159
Interest received		170,308	232,283
Income tax paid		(968,390)	(854,750)
Net cash inflow from operating activities		5,411,851	2,394,692
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment, excluding interest capitalised		(4,122,601)	(3,104,342)
Acquisition of prepaid land lease payments		(162,549)	(542,786)
Purchases of other intangible assets		(295,007)	(224,920)
Investments in associates		(19,800)	(252,630)
Investments in joint ventures		(275,858)	(24,067)
Purchases of available-for-sale investments		(347,155)	(355,229)
Purchases of financial instruments classified as other receivables		(550,789)	—
Prepayment of investments		(440,674)	—
Prepayment of acquisition of subsidiaries		(113,253)	(147,709)
Purchase of assets under finance leases		(1,317,860)	(1,147,753)
Dividends received from a joint venture		501,910	69,805
Dividends received from available-for-sale investments		160	104
Dividends received from associates		1,500	—
Interest on financial instruments included in other receivables		8,195	21,267
Proceeds from acquisitions of subsidiaries		7,972	49,951
Proceeds from disposal of prepaid land lease payments		34,808	3,951
Proceeds from disposal of items of property, plant and equipment		74,388	190,737
Proceeds from disposal of other intangible assets		14,628	—
Proceeds from disposal of financial assets at fair value through profit or loss		—	3,300
Proceeds from disposal of derivative financial instruments		—	26,874

	Notes	2013 RMB'000	2012 RMB'000
Proceeds from disposal of available-for-sale investments		608,077	—
Proceeds from disposal of financial instruments classified as other receivables		—	116,219
Decrease/(increase) in non-pledged deposits with original maturity of three months or more when acquired		(851,396)	1,071,605
Net cash flows used in investing activities		(7,245,304)	(4,245,623)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bonds		(10,500,000)	(8,000,000)
Repayment of bank and other borrowings		(22,829,883)	(19,604,865)
Distribution to shareholders		(1,242,270)	(2,484,540)
Bond issue expense		(1,019,750)	(9,750)
Dividends paid to non-controlling shareholders		(264,588)	(297,051)
Interest paid		(544,907)	(969,830)
Proceeds from bank and other borrowings		23,677,330	14,439,463
Proceeds from issuance of bonds		11,500,000	2,000,000
Capital contributions from non-controlling shareholders		2,697,147	564,550
Proceeds from issue of shares		—	8,754,980
Purchase of non-controlling interests		—	(9,856)
Share issue expenses		—	(55,575)
Net cash flows (used in)/from financing activities		1,473,079	(5,672,474)
Effect of foreign exchange rate changes, net		(83,187)	(206)
Net decrease in cash and cash equivalents		(443,561)	(7,523,611)
Cash and cash equivalents at beginning of year		14,452,265	21,975,876
Cash and cash equivalents at end of year		14,008,704	14,452,265

STATEMENT OF FINANCIAL POSITION

31 December 2013

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

	Notes	**2013**	**2012**
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	3,000,000	300,000
Defined benefit obligations	34	19,155	13,080
Total non-current liabilities		3,019,155	313,080
Net assets		33,221,300	31,704,757
EQUITY			
Share capital	38	13,803,000	13,803,000
Reserves	38	18,176,030	16,659,487
Proposed final dividend	12	1,242,270	1,242,270
Total equity		33,221,300	31,704,757

NOTES TO FINANCIAL STATEMENTS

31 December 2013

1. CORPORATE INFORMATION

CSR Corporation Limited (the "Company") was registered in the People's Republic of China ("PRC") on 28 December 2007 as a joint stock company with limited liability under the Company Law of the PRC. The Company's A shares were listed on the Shanghai Stock Exchange on 18 August 2008 and the Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") on 21 August 2008. In 2012, the Company completed the non-public issue of 1,963,000,000 A shares with par value RMB1.00 each, and the issue price was RMB4.46 per share, which was approved by the CSRC through Zheng Jian Xu Ke [2012] No. 210) on 20 February 2012.The details of the A shares and H shares' issuance are set out in note 38.

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS

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

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

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

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

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

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

Business combinations and goodwill

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

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

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

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

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

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

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

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

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

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

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

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

Intangible assets (other than goodwill)

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

Purchased patents and technical know-how

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

Computer software

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

Research and development costs

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

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

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial investments

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

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

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

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

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Financial assets carried at cost

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

Available-for-sale financial investments

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

Loans and borrowings

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

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

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

Government grants

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

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

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

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

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

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

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

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

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

Contracts for services

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

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

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

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments

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

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

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

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

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

Other employee benefits

Pension obligations

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

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

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

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

Termination and early retirement benefits

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

Foreign currencies

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

De facto control over subsidiaries

The Group's management exercises its critical judgement when determining whether the Group has de facto control over an entity by evaluating its influence over the entity which includes, but is not limited to:

(i) the ability to exercise de facto control in the shareholders' meetings or equivalent governing body of the investee;

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

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

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

Estimation uncertainty

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

Employee retirement benefits

The Group has recognised the employee retirement benefit obligations as a liability. The Group's obligations are determined using actuarial valuations, which rely on various assumptions and conditions. The assumptions used in actuarial valuation reports include discount rates, the growth rate of the benefits and other factors. The deviation from the actual result and the actuary result will affect the accuracy of related accounting estimates. Even though management is of the view that the above assumptions are reasonable, any changes in condition of assumptions will still affect the estimated liability amount of employee retirement benefit obligations. The carrying amount of employee retirement benefits at 31 December 2013 was RMB1,366,360,000 (2012: RMB1,575,650,000).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other timing differences to the extent that it is probable that taxable profit will be available against which the losses and other timing differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets at 31 December 2013 was RMB586,193,000 (2012: RMB469,695,000). Further details are contained in note 10 to the financial statements.

Impairment of receivables

The Group recognises provision based on the judgement of recovery of accounts receivable. Bad debt provision is required to be recognised when there are indications that the receivable cannot be recovered. Recognition of bad debt provision requires the use of judgement and estimates. If the revised estimates deviate from the current estimates, then any difference arising from changes of accounting estimates will affect the carrying value of debtors in the relevant accounting periods. The net carrying amounts of trade receivables and prepayments, deposits and other receivables at 31 December 2013 were RMB34,120,810,000 (2012: RMB26,618,776,000) and RMB8,457,464,000 (2012: RMB8,058,186,000), respectively.

Write-down of inventories to net realisable value

The Group determines the write-down for obsolescence of inventories. These estimates are made with reference to aged inventory analyses, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable values. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation. The net carrying amount of inventories at 31 December 2013 was RMB17,721,119,000 (2012 RMB18,770,236,000).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 was RMB61,386,000 (2012: RMB97,147,000). More details are given in note 16.

4. OPERATING SEGMENT INFORMATION

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

Products and services

Revenue from external customers

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

Geographical information

Revenue from external customers

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

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

Non-current assets

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

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

Information about a major customer

Revenue, net of sales tax, generated from a single customer which amounted to more than 10% of the Group's revenue for the year ended 31 December 2013 was RMB39,209,182,000 (2012: RMB37,480,731,000). The state-owned entities are not identified as a group of customers under common control by the directors of the Company.

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Note	2013 RMB'000	2012 RMB'000
Revenue			
Sale of goods and services		96,432,975	89,016,049
Finance Company:			
Interest income from banks and other financial institutions		89,999	3,400
Fee and commission income		2,078	—
		96,525,052	89,019,449
Other income			
Interest income		134,142	232,283
Dividend income		160	104
Profit from sales of scrap materials		64,832	57,624
Value-added tax refunds		69,612	94,504
Government grants	36	928,967	569,267
Total		1,197,713	953,782

	Note	2013 RMB'000	2012 RMB'000
Gains			
Fair value gains, net:			
Available-for-sale investments (transfer from equity on disposal)		118,132	—
Derivative financial instruments		2,000	2,243
Gain on disposal of items of property, plant and equipment		111,977	—
Gain on derivative financial instrument settlement		6,703	—
Gain on financial investments included in other receivables		1,781	21,267
Gain on rental of items of property, plant and equipment		13,728	9,535
Gain on land lease		6,407	5,064
Others		23,443	77,832
Total		284,171	115,941
		1,481,884	1,069,723

6. PROFIT BEFORE TAX

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

	Note	2013 RMB'000	2012 RMB'000
Cost of inventories sold Depreciation of items of property, plant and equipment	14	79,896,059 1,708,433	73,264,022 1,565,578
Amortisation of prepaid land lease payments	15	106,943	102,243
Amortisation of other intangible assets	17	125,215	115,151
Provision against obsolete inventories*		136,404	143,508
Auditors' remuneration		11,000	11,070
Provision for warranties	35	1,065,748	960,771
Minimum lease payments under operating leases:			
Plant and machinery		40,181	39,649
Land and buildings		71,726	70,437
Research and development costs		3,627,199	3,070,589
Less: Amount capitalised		(25,614)	(28,343)
		3,601,585	3,042,246
Staff costs (including directors', supervisors' and chief executive's remuneration wages, and salaries, and employees' benefits other than below)		8,522,010	7,839,034
Contribution to government-operated pension schemes		1,061,210	940,103
Contribution to annuity pension schemes		178,373	166,752
Equity-settled share option expense		(10,858)	54,040
Defined benefit obligations — interest costs	34	59,710	12,310
		9,810,445	9,012,239

	Note	2013 RMB'000	2012 RMB'000
Included in other expenses, net: Impairment of trade receivables	24	(19,260)	265,661
Impairment of long-term trade receivables	22	44,721	—
Impairment of other receivables	26	15,987	(21,229)
Impairment of goodwill	16	46,518	—
Exchange losses, net		(6,808)	(114,910)
Gain on disposal of items of property, plant and equipment		—	(4,655)
Loss on disposal of other intangible assets, net		—	994
Loss on disposal of held-for sale assets included in other receivables		266,687	—
Estimated loss on pending litigation		—	42,905
		347,845	168,766

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

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

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

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

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

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

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

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

Year ended 31 December 2013

	Fees	Salaries	Performance-related bonuses	Social security contribution other than pension	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:						
Mr. Zheng Changhong	—	230	659	43	37	969
Mr. Liu Hualong	—	213	610	43	37	903
Mr. Chen Dayang	—	207	593	43	37	880
	—	650	1,862	129	111	2,752
Independent non-executive directors:						
Mr. Zhao Jibin	140	—	—	—	—	140
Mr. Yang Yuzhong	154	—	—	—	—	154
Mr. Chen Yongkuan	136	—	—	—	—	136
Mr. Dai Deming	146	—	—	—	—	146
Mr. Tsoi, David	122	—	—	—	—	122
	698	—	—	—	—	698
Supervisors:						
Mr. Wang Yan	—	—	—	—	—	—
Mr. Qiu We	—	349	108	43	37	537
Mr. Sun Ke	—	405	108	43	37	593
	—	754	216	86	74	1,130
	698	1,404	2,078	215	185	4,580

Year ended 31 December 2012

	Fees	Salaries	Performance-related bonuses	Social security contribution other than pension	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:						
Mr. Zheng Changhong *(note 1)*	—	210	643	39	33	925
Mr. Liu Hualong *(note 1)*	—	189	579	39	33	840
Mr. Chen Dayang	—	226	236	39	33	534
Mr. Zhao Xiaogang *(note 2)*	—	175	536	32	27	770
Mr. Tang Kelin *(note 2)*	—	158	482	32	27	699
	—	958	2,476	181	153	3,768
Independent non-executive directors:						
Mr. Zhao Jibin	165	—	—	—	—	165
Mr. Yang Yuzhong	185	—	—	—	—	185
Mr. Chen Yongkuan	165	—	—	—	—	165
Mr. Dai Deming	181	—	—	—	—	181
Mr. Tsoi, David	161	—	—	—	—	161
	857	—	—	—	—	857
Supervisors:						
Mr. Wang Yan	—	—	—	—	—	—
Mr. Qiu Wei	—	256	188	39	33	516
Mr. Sun Ke	—	261	220	39	33	553
	—	517	408	78	66	1,069
	857	1,475	2,884	259	219	5,694

Note:

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

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

No emoluments were paid by the Group to any of the directors or the supervisors and the chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

There was no arrangement under which a director or the supervisors and the chief executive of the Company waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year are neither directors nor supervisors and chief executive.

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

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

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

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

10. INCOME TAX

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

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

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% is applied to the Group for the years ended 31 December 2013 and 2012, except for certain subsidiaries which were either exempted from tax or entitled to different preferential tax rates during the years. Certain subsidiaries of the Group are entitled to the preferential tax rate of 15% (2012: 15%) because they are recognised as the high and new technology enterprises by the local governments in the PRC.

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2013 and 2012.

A reconciliation of the income tax expense applicable to profit before tax at the respective applicable rate for the Company and its subsidiaries to the income tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

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

Notes:

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

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

The deferred tax of the Group is analysed as follows:

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

	Group			
	Consolidated statement of financial position As at 31 December		Consolidated statement of comprehensive income Year ended 31 December	
	2013	2012	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Represented by:				
Deferred tax credited to profit or loss			(126,183)	(95,466)
Deferred tax credited to other comprehensive income during the year			23,314	(5,945)
Acquisitions of subsidiaries			2,805	12,377
Exchange realignment			(651)	536
			(100,715)	(88,498)

The Group also has tax losses arising in Mainland China of RMB1,513,242,000 (2012: RMB996,330,000) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

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

12. DIVIDENDS

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

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

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

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

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

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

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

The calculation of basic earnings per share is based on:

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

14. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2013

	Notes	Buildings	Plant, machinery and equipment	Motor vehicles	Computer equipment and others	Construction in progress	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013:							
Cost		12,152,919	14,096,312	762,590	1,533,089	3,005,097	31,550,007
Accumulated depreciation and impairment		(2,288,494)	(5,075,008)	(456,702)	(758,664)	(576)	(8,579,444)
Net carrying amount		9,864,425	9,021,304	305,888	774,425	3,004,521	22,970,563
At 1 January 2013, net of accumulated depreciation and impairment		9,864,425	9,021,304	305,888	774,425	3,004,521	22,970,563
Additions		75,767	336,472	17,968	153,652	3,729,768	4,313,627
Transfer from construction in progress		1,433,059	1,440,412	54,715	58,400	(2,986,586)	—
Acquisitions of subsidiaries	39	9,685	4,021	1,696	1,021	1,505	17,928
Transfer to prepaid land lease payments	15	—	—	—	—	(57,724)	(57,724)
Transfer to other intangible assets	17	—	—	—	—	(31,311)	(31,311)
Disposals		(34,789)	(237,676)	(2,382)	(4,871)	(22,361)	(302,079)
Depreciation provided	6	(328,284)	(1,113,692)	(58,611)	(207,846)	—	(1,708,433)
Exchange realignment		(242)	(1,562)	(39)	(250)	117	(1,976)
At 31 December 2013, net of accumulated depreciation and impairment		11,019,621	9,449,279	319,235	774,531	3,637,929	25,200,595
At 31 December 2013:							
Cost		13,582,499	15,390,144	822,230	1,701,662	3,638,505	35,135,040
Accumulated depreciation and impairment		(2,562,878)	(5,940,865)	(502,995)	(927,131)	(576)	(9,934,445)
Net carrying amount		11,019,621	9,449,279	319,235	774,531	3,637,929	25,200,595

Group

31 December 2012

	Notes	Buildings	Plant, machinery and equipment	Motor vehicles	Computer equipment and others	Construction in progress	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012:							
Cost		10,644,192	12,274,873	768,519	1,332,413	3,554,727	28,574,724
Accumulated depreciation and impairment		(2,014,481)	(4,143,524)	(425,082)	(616,730)	(576)	(7,200,393)
Net carrying amount		8,629,711	8,131,349	343,437	715,683	3,554,151	21,374,331
At 1 January 2012, net of accumulated depreciation and impairment		8,629,711	8,131,349	343,437	715,683	3,554,151	21,374,331
Additions		326,564	336,278	18,524	126,491	2,438,301	3,246,158
Transfer from construction in progress		1,161,926	1,547,988	27,108	121,248	(2,858,270)	—
Acquisitions of subsidiaries	39	113,750	77,390	4,078	2,550	2,975	200,743
Transfer to prepaid land lease payments	15	—	—	—	—	(80,917)	(80,917)
Transfer to other intangible assets	17	—	—	—	—	(15,493)	(15,493)
Disposals		(45,847)	(81,254)	(29,883)	(1,532)	(36,672)	(195,188)
Depreciation provided	6	(322,676)	(995,511)	(57,376)	(190,015)	—	(1,565,578)
Exchange realignment		997	5,064	—	—	446	6,507
At 31 December 2012, net of accumulated depreciation and impairment		9,864,425	9,021,304	305,888	774,425	3,004,521	22,970,563
At 31 December 2012:							
Cost		12,152,919	14,096,312	762,590	1,533,089	3,005,097	31,550,007
Accumulated depreciation and impairment		(2,288,494)	(5,075,008)	(456,702)	(758,664)	(576)	(8,579,444)
Net carrying amount		9,864,425	9,021,304	305,888	774,425	3,004,521	22,970,563

Company

31 December 2013

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

Company

31 December 2012

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

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

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

The details of the above items of property, plant and equipment pledged to secure general banking facilities granted to the Group are set out in note 33 below.

15. PREPAID LAND LEASE PAYMENTS

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

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

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

16. GOODWILL

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

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

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

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

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

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

17. OTHER INTANGIBLE ASSETS

Group

	Notes	Patents and technical know-how RMB'000	Computer software RMB'000	Total RMB'000
31 December 2013				
At 1 January 2013, net of accumulated amortisation and impairment		259,083	295,243	554,326
Additions		181,520	106,054	287,574
Transfer from construction in progress	14	—	31,311	31,311
Acquisitions of subsidiaries	39	8,558	—	8,558
Disposals		(70)	(14,558)	(14,628)
Amortisation	6	(43,663)	(81,552)	(125,215)
Exchange realignment		(4)	(47)	(51)
At 31 December 2013, net of accumulated amortisation and impairment		405,424	336,451	741,875
At 31 December 2013:				
Cost		924,117	643,153	1,567,270
Accumulated amortisation and impairment		(518,693)	(306,702)	(825,395)
Net carrying amount		405,424	336,451	741,875

	Notes	Patents and technical know-how RMB'000	Computer software RMB'000	Total RMB'000
31 December 2012				
At 1 January 2012, net of accumulated amortisation and impairment		227,453	223,549	451,002
Additions		63,701	117,148	180,849
Transfer from construction in progress	14	—	15,493	15,493
Acquisitions of subsidiaries	39	12,254	9,737	21,991
Disposals		—	(759)	(759)
Amortisation	6	(45,226)	(69,925)	(115,151)
Exchange realignment		901	—	901
At 31 December 2012, net of accumulated amortisation and impairment		259,083	295,243	554,326
At 31 December 2012:				
Cost		734,610	523,609	1,258,219
Accumulated amortisation and impairment		(475,527)	(228,366)	(703,893)
Net carrying amount		259,083	295,243	554,326

Company

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

18. INVESTMENTS IN SUBSIDIARIES

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

The loans to the subsidiaries are unsecured, bear interest at relevant market rates and the repayment terms are over three years. The carrying amounts of these amounts due from subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries of the Company at 31 December 2013 are as follows:

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
CSR Zhuzhou Electric Locomotive Co., Ltd. 南車株洲電力機車有限公司	PRC 31 August 2005	RMB4,184,195,800	100.0	—	Manufacturing, selling and repairing of locomotives
CSR Ziyang Locomotive Co., Ltd. 南車資陽機車有限公司	PRC 12 May 2006	RMB834,225,725	99.6	—	Manufacturing, selling and repairing of locomotives
CSR Qingdao Sifang Co., Ltd. 南車青島四方機車車輛股份有限公司	PRC 22 July 2002	RMB4,003,794,100	97.8	—	Manufacturing, selling and repairing of locomotives
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. 南車株洲電力機車研究所有限公司	PRC 9 September 1992	RMB4,184,500,000	100.0	—	Investment holding, manufacturing and selling of wind turbines

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
CSR Sifang Co., Ltd. 南車四方車輛有限公司	PRC 4 September 1980	RMB293,095,500	100.0	—	Repairing locomotives and rolling stock
CSR Investment & Leasing Co., Ltd. 南車投資租賃有限公司	PRC 26 April 1999	RMB1,300,000,000	100.0	—	Trading and finance leasing
CSR Yangtze Co., Ltd. 南車長江車輛有限公司	PRC 14 September 2006	RMB2,372,868,800	100.0	—	Manufacturing, selling and repairing of rolling stock
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd. 南車戚墅堰機車車輛工藝 研究所有限公司	PRC 15 May 1992	RMB1,560,000,000	100.0	—	Research and development of train-related products
CSR Shijiazhuang Rolling Stock Co., Ltd. 南車石家莊車輛有限公司	PRC 28 June 2007	RMB204,621,800	100.0	—	Repairing locomotives and rolling stock
CSR Chengdu Locomotive & Rolling Stock Co., Ltd. 南車成都機車車輛有限公司	PRC 28 June 2007	RMB422,771,941	100.0	—	Repairing locomotives and rolling stock
CSR Nanjing Puzhen Rolling Stock Co., Ltd. 南車南京浦鎮車輛有限公司	PRC 27 June 2007	RMB1,759,840,000	100.0	—	Manufacturing, selling and repairing of rolling stock
CSR Erqi Co., Ltd. 南車二七車輛有限公司	PRC 28 June 2007	RMB381,873,228	100.0	—	Manufacturing, selling and repairing of rolling stock

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
CSR Meishan Co., Ltd. 南車眉山車輛有限公司	PRC 28 June 2007	RMB337,848,600	100.0	—	Manufacturing and selling of rolling stock
CSR Luoyang Locomotive Co., Ltd. 南車洛陽機車有限公司	PRC 27 June 2007	RMB447,476,400	100.0	—	Repairing locomotives and rolling stock
CSR Qishuyan Locomotive Co., Ltd. 南車戚墅堰機車有限公司	PRC 26 June 2007	RMB1,092,742,757	100.0	—	Manufacturing, selling and repairing of locomotives
CSR (Hong Kong) Co., Ltd. 中國南車(香港)有限公司	PRC 7 April 2008	HKD400,000,000	100.0	—	Trading and investment management
CSR Zhuzhou Electric Co., Ltd. 南車株洲電機有限公司	PRC 14 April 2004	RMB848,180,000	100.0	—	Manufacturing and selling of electric motors
CSR Finance Co., Ltd. 南車財務有限公司	PRC 4 December 2012	RMB1,000,000,000	91	—	Banking, insurance, other financial services for other subsidiaries, interbank borrowing
CSR Corporation (Australia) PTY Ltd 中國南車(澳洲)有限公司	Australia	AUD1,000,000	100	—	Trading and after-sale maintaining
CSR international Equipment Engineering Co., Ltd. 南車國際裝備工程有限公司	PRC 13 May 2013	RMB600,000,000	100	—	Trading
Zhuzhou CSR Times Electric Co., Ltd. 株洲南車時代電氣股份有限公司	PRC 26 September 2005	RMB1,175,476,637	—	51.8	Manufacturing of train-bore systems and components
Zhuzhou Times New Material Technology Co., Ltd. (i) 株洲時代新材料科技股份有限公司	PRC 24 May 1994	RMB661,422,092	—	27.4	Manufacturing and selling of polymer compounds, etc.
Dynex Power Inc.	Canada	CAD37,096,192	—	75.0	Manufacturing and selling of power semiconductors and integrated circuit products

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

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

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2013. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INVESTMENTS IN JOINT VENTURES

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

Particulars of the principal joint ventures of the Group as at 31 December 2013 are as follows:

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

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

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

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

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

20. INVESTMENTS IN ASSOCIATES

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

Particulars of the principal associates of the Group as at 31 December 2013 are as follows:

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

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

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

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

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

21. AVAILABLE-FOR-SALE INVESTMENTS

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

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

Unlisted equity investments

Unlisted equity investments of the Group and the Company are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price in an active market, the range of reasonable fair values estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

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

Listed equity investments

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

22. OTHER NON-CURRENT ASSETS

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

Note:

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

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

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

23. INVENTORIES

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

24. TRADE RECEIVABLES

The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate. However, in the opinion of the directors, the Group has effectively granted an average credit period of around three to six months to customers after taking into account the practice of the industry in which the Group conducted its business. The Group seeks to maintain strict control over its outstanding receivables and to closely monitor them to minimise credit risk. Overdue balances are reviewed regularly by senior management. The maximum exposure of the Group's credit risk in respect of trade receivables is equal to the carrying amount of the trade receivables.

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

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

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

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

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

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

Receivables that were past due but not impaired relate to some independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

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

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB48,703,000 (2012: RMB80,138,000) with a carrying amount before provision of RMB53,623,000 (2012: RMB81,047,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

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

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

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

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

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

25. BILLS RECEIVABLE

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

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

The above balances are neither past due nor impaired.

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

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

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

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

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

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

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

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

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

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

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

28. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The Group's cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Pledged bank balances and time deposits represented balances pledged to banks for the issuance of the Group's bills payable and letters of credit, and for the grant of bank loans to the Group. Further details of the bank loans are set out in note 33 below.

30. TRADE PAYABLES

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

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

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

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

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

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

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

31. BILLS PAYABLE

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

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

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

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

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

32. OTHER PAYABLES AND ACCRUALS

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

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

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

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

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

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

Company

	2013			2012		
	Effective interest rate per annum *(%)*	**Maturity**	*RMB'000*	**Effective interest rate per annum** *(%)*	**Maturity**	*RMB'000*
Current						
Bank loans						
— Unsecured	5.04-6.60	2014	2,250,000	4.51-7.22	2013	495,000
Short term bonds						
— Unsecured	4.8	2014	2,000,000	4.38	2013	2,000,000
Current portion of long term bank loans						
— Unsecured	4.2	2014	300,000	—	—	—
Current portion of long term bonds						
— Unsecured	—	—	—	4.08	2013	2,000,000
			4,550,000			4,495,000
Non-current						
Bank loans						
— Unsecured	—	—	—	4.20	2014	300,000
Long term bonds						
— Unsecured	4.7-5.0	2018-2023	3,000,000	—	—	—
			3,000,000			300,000
			7,550,000			4,795,000

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

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

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

Interest-bearing bank and other borrowings denominated in:

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

34. DEFINED BENEFIT OBLIGATIONS

In addition to the monthly contributions to various defined contribution pension schemes regulated by the PRC government, the Group provided supplementary pension subsidies and early retirement benefits to certain qualified employees. The amounts of employee benefit obligations recognised in the statement of financial position represent the present value of the unfunded obligations.

Pursuant to the Reorganisation, the Group has terminated the supplementary pension subsidies to its employees who retired at normal retirement ages on 1 July 2007 and thereafter. In addition, the Group did not have any early retirement benefit plan available for its present employees subsequent to 30 June 2007.

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

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

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

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

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

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

The above employee benefit obligations were determined based on actuarial valuation performed by Towers Perrin, an independent actuary, whose registered office is located at 1266 Nanjing West Road, 39/F, Plaza 66, Shanghai, the PRC, using the projected unit credit actuarial cost method and the material actuarial assumptions used in valuing these obligations are as follows:

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

The interest cost is charged in administrative expenses.

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

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

35. PROVISION FOR WARRANTIES

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

The above represents the warranty costs for repairs and maintenance, which are estimated based on prevailing after-sales service policies, the sales volume and the past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

36. GOVERNMENT GRANTS

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

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

37. SHARE OPTION SCHEME

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

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

In March 2011, the Company submitted a share option scheme to the CSRC for approval, and there was no dissent. On 26 April 2011, the share option scheme was approved at the 2011 first extraordinary general meeting. Then the Company adopted an A share share option scheme ("Share Option Scheme") for the purpose of providing incentives to eligible participants, and eligible participants of the Share Option Scheme included the directors, senior management (independent non-executive directors excluded), and key technical personnel and management personnel who have direct contribution to the performance and continuing development of the Company.

On 27 April 2011, the board of the directors of the Company granted 36,605,000 share options to the participants under the Share Option Scheme to subscribe for 36,605,000 A shares of par value RMB1.00 each of the Company pursuant to the resolution of the general meeting. The number of the share options granted does not exceed 1% of the total number of A shares in issue, and the share options granted have a validity period of seven years, commencing from the grant date determined by the board of the directors of the Company. Subject to fulfilment of all effective conditions under the Share Option Scheme and after the expiry of the two-year lock-up period from the grant date, the share options shall become exercisable in three batches according to the following effective arrangements:

Maximum percentage exercisable	**Period for vesting of the relevant percentage of the option**
Lot 1:1/3 of the total share options granted	From the first trading day after the expiration of the 24-month period following the grant date to the last trading day preceding the expiration of the 60-month period following the grant date
Lot 2:1/3 of the total share options granted	From the first trading day after the expiration of the 36-month period following the grant date to the last trading day preceding the expiration of the 72-month period following the grant date
Lot 3:1/3 of the total share options granted	From the first trading day after the expiration of the 48-month period following the grant date to the last trading day preceding the expiration of the 84-month period following the grant date

The share options granted but not yet effective shall lapse forthwith and shall be cancelled by the Company.

The exercise price is the price at which the Company entitled the participants of the Share Option Scheme to subscribe for each share of the underlying stock. The exercise price was determined at the higher of the closing price of the A Shares on the trading day immediately preceding the date of the Share Option Scheme announcement and the average closing price of the A Shares for the 30 trading days immediately preceding the date of the Share Option Scheme announcement, which was RMB5.43 per share.

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

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

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

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

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

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

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

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

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

38. EQUITY

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

Reserves

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

Equity movements

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

39. BUSINESS COMBINATION

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

On 14 May 2013, ZTNM acquired 10% more equity interest in CSR Huaxuan by injecting a cash amount of RMB6,671,000 individually, after which ZTNM owned 60% equity interest in CSR Huaxuan. From then, according to the revised articles of association, CSR Huaxuan became the subsidiary of ZTNM. As at the date of acquisition, the fair value of initial acquired 50% equity interest was RMB24,472,000.

According to the evaluation results of the independent appraiser, the fair values of the identifiable assets and liabilities of the above acquired subsidiary as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition CSR Huaxuan** *RMB'000*
Property, plant and equipment	14	17,928
Prepaid land lease payments	15	6,907
Other intangible assets	17	8,558
Inventories		10,987
Trade receivables		6,005
Bills receivable		390
Prepayments, deposits and other receivables		20,912
Cash and cash equivalents		14,643
Interest-bearing bank and other borrowings		(7,000)
Deferred tax liabilities		(2,805)
Other non-current liabilities		(720)
Trade payables		(2,425)
Bills payable		(730)
Other payables and accruals		(40,640)
Non-controlling interests		(12,804)
Net assets		19,206
Goodwill arising on acquisition	16	11,937
		31,143
Satisfied by:		
Acquisition cost		31,143

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

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

The fair value of the trade receivables as at the date of acquisition amounted to RMB6,005,000. The gross contractual amounts of trade receivables were RMB6,696,000, of which trade receivables of RMB691,000 are expected to be uncollectible.

From the date of acquisition, CSR Huaxuan has contributed RMB25,606,000 of revenue and RMB2,421,000 to the net profit after tax of the Group. If the combination had taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB96,525,470,000 and RMB5,070,481,000, respectively.

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

The transaction costs of RMB350,000 have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

40. COMMITMENTS

OPERATING LEASE COMMITMENTS

(a) As lessor

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

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

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

(b) As lessee

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

The Group's future minimum rental payables under non-cancellable operating leases in respect of land and buildings at the end of the reporting period are as follows:

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

CAPITAL COMMITMENTS

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

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

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

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

41. CONTINGENT LIABILITIES

As at 31 December 2013 and 2012, the Group had no significant contingent liabilities.

The Company had the following contingent liabilities not provided for in the financial statements at the end of the reporting period:

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

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

42. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year.

In the opinion of the directors, the transactions below were conducted in the ordinary course of business of the Group and are in accordance with the terms agreed between the Group and its related parties.

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

		Group	
		2013	**2012**
		RMB'000	*RMB'000*
(d)	Rental of property, plant and equipment from:		
	CSRG Group *	24,063	20,905
(e)	Fee and commission income from:		
	CSRG Group *	1,650	—
(f)	Compensation of key management personnel of the Group:		
	Short term employee benefits	9,123	9,107
	Post-employment benefits	513	432
	Total compensation paid/payable to key management personnel	9,636	9,539
	Number of share options to key management personnel *(unit: share)*	1,069,466	1,974,200

For the changes of key management personnel occurred during the year, the above compensation was based on the actual period of their tenure of office. Further details of directors', supervisors and the chief executive's emoluments are included in note 8 to the financial statements.

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

(g) Commitments with related parties:

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

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

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

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

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

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

43. FINANCIAL INSTRUMENTS BY CATEGORY

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

As at 31 December 2013

Financial assets

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

Financial liabilities

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

As at 31 December 2013

Financial assets

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

Financial liabilities

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

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

As at 31 December 2012

Financial assets

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

Financial liabilities

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

As at 31 December 2012

Financial assets

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

Financial liabilities

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

44. FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

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

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

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

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

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

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

Financial assets measured at fair value:

Group

As at 31 December 2013

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Available-for-sale investments:				
Equity investments	669,928	—	—	669,928
Derivative financial instruments:				
Forward currency contracts	4,243	—	—	4,243
Equity investments at fair value through profit or loss	16,746	—	—	6,746
	680,917	—	—	680,917

As at 31 December 2012

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

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

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees on policies for managing each of these risks and they are summarised below:

Credit risk

Credit risk means the risk of loss in respect of a financial instrument when the counterparty to the financial instrument cannot execute its obligations.

The Group only transacts with those third parties who are recognised as creditworthy. The Group's policy is to perform credit verification for all customers who have transactions with the Group. Further, credit limits, credit terms and sales methods are determined based on the credit ratings of customers.

For sales under credit terms, a sales contract shall stipulate the payment term and credit amounts. The payment date should not exceed the credit term, and the credit amount in aggregate should not exceed the credit limit.

For cash on delivery sales, goods are only delivered after the completion of cash collection procedures.

In addition, the Group continuously monitors its trade receivable balances, and insists that salespersons are responsible for cash collection, and persons who approve sales contracts are accountable for the collection of receivables. For receivables which are not collected in three years, the relevant personnel have the responsibility to make compensation so as to ensure that the Group will not be subject to material bad debt risk.

The Group's other financial assets include cash and cash equivalents, and other receivables. The credit risk of these financial assets arises from default of counterparties who transact with the Group, with a maximum exposure equal to the carrying amounts of these instruments.

The Group's principal customers are the Ministry of Railways and entities invested and managed by local railway departments. Since the Group only trades with third parties recognised to be creditworthy, no pledge of assets is required from the customers. Concentrations of credit risk are managed by customers.

Liquidity risk

Liquidity risk means the risk that an enterprise may encounter difficulties to obtain adequate financing to repay the debts related to financial instruments. Liquidity risk may arise from the liability to dispose of financial assets promptly, the counterparty who cannot repay its contracted debt obligations, or from the liability to generate the expected cash flows.

The Group's objectives are to maintain a balance between continuity and flexibility through measures such as bills settlement, loans and short term commercial paper, to adopt an appropriate combination of long term and short term financing, and to improve the financing structure.

The Group has already obtained banking facilities from various commercial banks for its working capital and capital expenditure.

The Group's management monitors the working capital position to ensure that there is adequate liquidity to meet with all the financial obligations when they become due and to maximise the return of the Group's financial resources.

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

As at 31 December 2013

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

As at 31 December 2012

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

Interest rate risk

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

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

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

Foreign currency risk

Foreign currency risk means the risk of fluctuations in the fair value or future cash flows of financial instruments which arise from changes in exchange rates. The Group's foreign risk mainly arise from sales or purchases by operating units in currencies other than the units' functional currency and from net investments in foreign operations.

The Group's businesses are mainly located in the PRC and are mainly transacted and settled in Renminbi. Certain sales, purchases and borrowings are settled in foreign currencies. The fluctuation of the exchange rates of foreign currencies against Renminbi will affect the Group's results of operations.

The Group endeavours to reduce foreign currency risk to a minimum mainly by closely monitoring market exchange rate changes and actively adopting measures.

For foreign business contracts under negotiation, the Group also requires price quotations to be based on the expected exchange rate changes. In negotiations, the Group also requires price quotations to be based on the expected exchange rate changes. When negotiating foreign business, the relevant terms should clearly state the scope of exchange rate fluctuations and the related risk to be borne by both the seller and buyer. For import activities, the relevant import entities are required to monitor the timing of settlement such that the appreciation of Renminbi can be utilised to reduce the cost of purchase.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Euro and US dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). In the opinion of the directors, as the currency exposures arising from possible changes in other currencies will not have any significant financial impact on the Group, the relative sensitivity is not disclosed.

	Group	
	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2013		
If Renminbi strengthens against Euro	5.99	36,717
If Renminbi weakens against Euro	(5.99)	(36,717)
If Renminbi strengthens against US dollar	3.0	12,119
If Renminbi weakens against US dollar	(3.0)	(12,119)

	Group	
	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2012		
If Renminbi strengthens against Euro	9.2	20,474
If Renminbi weakens against Euro	(9.2)	(20,474)
If Renminbi strengthens against US dollar	1.1	20,409
If Renminbi weakens against US dollar	(1.1)	(20,409)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, bills payable and other payables and accruals, less cash and cash equivalents and pledged deposits. Capital includes equity attributable to owners of the parent.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its business. The principal strategies adopted by the Group include, without limitation, reviewing the future cash flow requirement and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios at 31 December 2013 and 2012 were as follows:

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

46. EVENTS AFTER THE REPORTING PERIOD

The Company convened the thirtieth meeting of the second session of the Board on 11 December 2013, in which the Resolution in relation to the Merger and Acquisition Project by Times New Material Germany, a subsidiary of the Company (《關於公司下屬企業時代新材德國併購項目的議案》) was considered and passed, agreeing Times New Material, an indirectly non-wholly-owned subsidiary of the Company, to enter into an Acquisition Agreement with the part(ies) of the transaction in relation to the acquisition of relevant rubber and plastics businesses under ZF Group. On 11 December 2013, Times New Material, CSR Rubber & Plastics (Germany) GmbH (the project company established for the acquisition, which Times New Material indirectly holds 100% of its shares) and ZF Group entered into a Master Purchase Agreement. Pursuant to the agreement, the total value of the target asset is EUR290 million (as a base sum, which is subject to adjustment in accordance with the net liabilities and operating fund of the target assets as at the agreed effective date of the agreement). Further details are disclosed in the announcement of the Company dated 12 December 2013 disclosed on the websites of SSE and the Hong Kong Stock Exchange. As of the date of approval of the financial statements, the acquisition has yet to satisfy certain terms of delivery, including but not limited to obtaining approvals from China Securities Regulatory Commission, State-owned Assets Supervision and Administration Commission of the State Council, and other relevant supervisory organizations with regard to the transaction. The transaction is expected to be completed in 2014.

47. APPROVAL OF THE FINANCIAL STATEMENTS

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

4 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

The following unaudited financial information prepared under IFRS is extracted from CSR interim report for the period ended 30 June 2014:

Condensed Consolidated Statement of Profit or Loss And Other Comprehensive Income — unaudited

		Six months ended 30 June	
	Notes	**2014**	**2013**
		RMB'000	*RMB'000*
REVENUE	4	49,771,093	36,440,885
Cost of sales		(40,467,796)	(30,329,204)
Gross profit		9,303,297	6,111,681
Other income and gains and losses	4	495,675	379,537
Selling and distribution expenses		(1,669,725)	(1,043,694)
Administrative expenses		(4,364,422)	(3,272,801)
Other expenses	5	(411,100)	(125,344)
Finance costs	6	(295,615)	(275,281)
Share of profits of:			
Joint ventures		172,242	237,684
Associates		1,840	6,205
PROFIT BEFORE TAXATION	5	3,232,192	2,017,987
Income tax expense	7	(614,588)	(344,237)
PROFIT FOR THE PERIOD		2,617,604	1,673,750

	Notes	Six months ended 30 June 2014 RMB'000	2013 RMB'000
OTHER COMPREHENSIVE (LOSSES)/INCOME:			
Items that may be reclassified subsequently to profit or loss:			
Fair value (losses)/gains on available-for-sale financial assets		(38,576)	177,979
Income tax relating to items that may be reclassified subsequently		(11,734)	(13,250)
Exchange differences arising on translation		25,459	(33,156)
Other comprehensive (losses)/income for the period, net of income tax		(24,851)	131,573
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,592,753	1,805,323
Profit for the period attributable to:			
Owners of the Company		2,061,911	1,461,406
Non-controlling interests		555,693	212,344
		2,617,604	1,673,750
Total comprehensive income attributable to:			
Owners of the Company		2,028,630	1,607,552
Non-controlling interests		564,123	197,771
		2,592,753	1,805,323
Earnings per share			
— Basic *(RMB)*	9	0.15	0.11
— Diluted *(RMB)*	9	0.15	0.11

Condensed Consolidated Statement of Financial Position — unaudited

	Notes	30 June 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	26,028,726	25,200,595
Prepaid lease payments- non-current portion		4,567,074	4,416,441
Goodwill		61,436	61,386
Other intangible assets		744,219	741,875
Interests in joint ventures		2,054,625	2,111,224
Interests in associates		869,519	842,393
Loans and advances to customers		30,000	30,000
Available-for-sale investments		890,266	708,842
Deferred tax assets		659,670	586,193
Other non-current assets		4,395,788	3,373,530
		40,301,323	38,072,479
CURRENT ASSETS			
Prepaid lease payments-current portion		106,580	104,152
Inventories	11	27,646,712	17,721,119
Trade receivables	12	38,404,706	34,120,810
Bills receivable		3,551,290	6,196,202
Prepayments, deposits and other receivables	13	13,121,203	8,457,464
Financial assets at fair value through profit or loss		7,144	6,746
Derivative financial instruments		2,169	4,243
Tax recoverable		28,739	46,060
Pledged bank deposits	14	3,572,823	1,495,037
Bank balances and cash	14	15,563,698	14,905,100
		102,005,064	83,056,933

	Notes	30 June 2014 RMB'000	31 December 2013 RMB'000
CURRENT LIABILITIES			
Trade payables	15	39,310,551	31,798,126
Bills payable	16	10,574,251	13,574,959
Other payables and accruals	17	17,091,418	12,523,543
Borrowings	18	17,604,702	7,606,292
Retirement benefit obligations-current portion		133,410	133,410
Tax payable		466,527	500,684
Due to customers		75,709	33,157
Provision for warranties-current portion		656,641	595,196
Government grants-current portion		165,381	234,832
		86,078,590	67,000,199
NET CURRENT ASSETS		15,926,474	16,056,734
TOTAL ASSETS LESS CURRENT LIABILITIES		56,227,797	54,129,213

	Notes	30 June 2014 RMB'000	31 December 2013 RMB'000
Capital and Reserves			
Share capital		13,803,000	13,803,000
Reserves		23,488,150	22,756,903
Equity attributable to owners of the Company		37,291,150	36,559,903
Non-controlling interests		9,965,566	9,594,728
Total Equity		47,256,716	46,154,631
NON-CURRENT LIABILITIES			
Borrowings	18	4,066,262	3,568,511
Long-term payable		128,409	—
Retirement benefit obligations- non-current portion		1,200,404	1,232,950
Provision for warranties- non-current portion		1,479,718	1,147,285
Government grants- non-current portion		1,779,630	1,815,032
Deferred tax liabilities		71,316	61,210
Other non-current liabilities		245,342	149,594
		8,971,081	7,974,582
Total Equity and Non-current Liabilities		56,227,797	54,129,213

Condensed Consolidated Statement of Changes In Equity — unaudited

	Attributable to owners of the Company											
	Share capital	Capital reserve	Available-for-sale investment revaluation reserve	Share option reserve	Retirement benefit obligations re-measurement reserve	Statutory surplus reserve	Translation reserve	Retained profits	Proposed Final dividend	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2014												
At 1 January 2014	13,803,000	9,931,149	138,703	79,248	131,970	1,043,985	(53,543)	10,243,121	1,242,270	36,559,903	9,594,728	46,154,631
Profit for the period	—	—	—	—	—	—	—	2,061,911	—	2,061,911	555,693	2,617,604
Other comprehensive income for the period:												
Change in fair value of available-for-sale investments, net of tax	—	—	(50,310)	—	—	—	—	—	—	(50,310)	—	(50,310)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	17,029	—	—	17,029	8,430	25,459
Total comprehensive income for the period	—	—	(50,310)	—	—	—	17,029	2,061,911	—	2,028,630	564,123	2,592,753
Acquisition of additional interest in a subsidiary (*Note*)	—	(16,756)	—	—	—	—	—	—	—	(16,756)	(13,637)	(30,393)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	80,200	80,200
Dividends paid to non- controlling shareholders	—	—	—	—	—	—	—	—	—	—	(259,555)	(259,555)
Recognition of equity-settled share based payments	—	—	—	(38,042)	—	—	—	—	—	(38,042)	—	(38,042)
Final 2013 dividend declared	—	—	—	—	—	—	—	—	(1,242,270)	(1,242,270)	—	(1,242,270)
Others	—	(315)	—	—	—	—	—	—	—	(315)	(293)	(608)
At 30 June 2014	13,803,000	9,914,078*	88,393*	41,206*	131,970*	1,043,985*	(36,514)*	12,305,032*	—*	37,291,150	9,965,566	47,256,716

* These reserve accounts comprise the consolidated reserves of RMB23,488,150,000 (31 December 2013: RMB22,756,903,000) in the consolidated statement of financial position.

Note: In the current period, the Group (as defined in Note 1) purchased 1,612,500 shares of Zhuzhou CSR Times Electric Co., Ltd. from Shanghai Stock Exchange, which caused non-controlling interests to decrease RMB13,637,000 and capital reserve to decrease RMB16,756,000.

	Attributable to owners of the Company											
	Share capital	Capital reserve	Available-for-sale investment revaluation reserve	Share option reserve	Retirement benefit obligations re-measurement reserve	Statutory surplus reserve	Translation reserve	Retained profits	Proposed Final dividend	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2013												
At 1 January 2013	13,803,000	9,424,387	(168,965)	90,106	—	766,001	(24,775)	7,623,403	1,242,270	32,755,427	6,754,434	39,509,861
Profit for the period	—	—	—	—	—	—	—	1,461,406	—	1,461,406	212,344	1,673,750
Other comprehensive income for the period:												
Change in fair value of available-for-sale investments, net of tax	—	—	164,729	—	—	—	—	—	—	164,729	—	164,729
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(18,583)	—	—	(18,583)	(14,573)	(33,156)
Total comprehensive income for the period	—	—	164,729	—	—	—	(18,583)	1,461,406	—	1,607,552	197,771	1,805,323
Capital contribution from non-controlling shareholders and excess of the cost of acquisition of additional interests in subsidiaries over the acquirers' additional interests in the carrying value of identifiable net assets *(Note)*	—	(112,061)	—	—	—	—	—	—	—	(112,061)	971,262	859,201
Dividends paid to non- controlling shareholders	—	—	—	—	—	—	—	—	—	—	(216,883)	(216,883)
Equity-settled share option arrangement	—	—	—	(25,810)	—	—	—	—	—	(25,810)	—	(25,810)
Final 2012 dividend declared	—	—	—	—	—	—	—	—	(1,242,270)	(1,242,270)	—	(1,242,270)
At 30 June 2013	13,803,000	9,312,326*	(4,236)*	64,296*	—*	766,001*	(43,358)*	9,084,809*	—*	32,982,838	7,706,584	40,689,422

* These reserve accounts comprise the consolidated reserves of RMB19,179,838,000 (31 December 2012: RMB18,952,427,000) in the consolidated statement of financial position.

Note: For the six months ended 30 June 2013, pursuant to the resolutions of 24th meeting of the fifth board of directors, the first extraordinary general meeting of 2012 and 2013, and "Approval of right issue of Zhuzhou Times New Material Technology Co., Ltd." (Zheng Jian Xu Ke [2013] No. 208) from the China Securities Regulatory Commission ("CSRC"), Zhuzhou Times New Material Technology Co., Ltd. ("ZTNM"), the subsidiary of the Company, offered 3 shares for every 10 to all shareholders, based on the total share capital of 517,341,440 on 30 September 2011, which caused non-controlling interests to increase RMB762,768,000 and capital reserve to decrease RMB26,100,000.

For the six months ended 30 June 2013, the Group purchased 9,843,997 shares of ZTNM from Shanghai Stock Exchange, which caused non-controlling interests to increase RMB85,961,000 and capital reserve to decrease RMB85,961,000.

For the six months ended 30 June 2013, the Group acquired 10% more equity interest in CSR Huaxuan by injecting capital and the non-controlling shareholder injected capital into several subsidiaries, which caused non-controlling interests to increase RMB122,533,000.

Condensed Consolidated Statement of Cash Flows — unaudited

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Net cash used in operating activities	(4,750,037)	(3,250,464)
Net cash used in investing activities	(4,966,953)	(1,939,247)
Net cash generated from financing activities	10,288,982	3,030,152
Net increase (decrease) in cash and cash equivalents	571,992	(2,159,559)
Cash and cash equivalents at 1 January	14,008,704	14,452,266
Effect of foreign exchange rate changes	21,278	(69,170)
Cash and cash equivalents at 30 June, represented by Bank balances and cash	14,601,974	12,223,537

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION

CSR Corporation Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 28 December 2007 as a joint stock company with limited liability under the Company Law of the PRC.

On 8 June 2007, the reorganisation application of the CSR Group (formerly named as China South Locomotive and Rolling Stock Industry (Group) Corporation), in preparation for listing of the Company's shares on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited (the "HKSE") was submitted to State-owned Asset Supervision and Administration Commission of the State Council (the "SASAC"), and then the core operating assets (research and development, manufacturing, sale and refurbishment of locomotives, passenger carriages, freight wagons, Multiple Unites and subway rail cars, as well as core components manufacturing) and outspread manufacturing businesses that related to proprietary technology of rail transportation were restructured and transferred to the Company after being revalued that the assessment benchmark dated 30 June 2007.

On 28 December 2007, pursuant to approval documents obtained from the SASAC dated 26 December 2007, the Company was restructured into a joint stock limited liability and the Company issued 6,900,000,000 and 100,000,000 (total 7,000,000,000 shares) shares to CSR Group and the CSR Group Investment Management Company, which respectively accounted for 98.57% and 1.43% of the total shares.

The Company's A shares were listed on the Shanghai Stock Exchange on 18 August 2008 and the Company's H shares were listed on the Main Board of HKSE on 21 August 2008. In 2012, the Company completed the non-public issue of 1,963,000,000 A shares with par value RMB1.00 each, and the issue price was RMB4.46 per share, which was approved by the CSRC through Zheng Jian Xu Ke [2012] No. 210) on 20 February 2012.

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

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

In the opinion of the directors, the holding company and the ultimate holding company of the Company is CSR Group, a state-owned enterprise established in the PRC, which is under the control of the SASAC.

The condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKSE and with International Accounting Standard 34, Interim Financial Reporting (the "IAS 34").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB") that are relevant for the preparation of the Group's condensed consolidated financial statements:

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

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

3. SEGMENT INFORMATION

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

4. REVENUE, OTHER INCOME AND GAINS AND LOSSES

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

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

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Revenue		
Sales of goods and services	49,699,168	36,389,073
Interest income from banks and other financial institutions	71,175	51,812
Fee and commission income	750	—
	49,771,093	36,440,885
Other income		
Government grants	290,871	203,259
Interest income	82,820	72,764
Value-added tax refunds	76,822	3,073
Profit from sales of scrap materials	24,868	19,638
Rental of land lease	3,975	—
Rental of items of property, plant and equipment	2,405	344
Dividend income	787	112
	482,548	299,190

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Other gains and losses		
Fair value gains, net:		
Available-for-sale investments (transfer from equity on disposal)	—	56,218
Gain on derivative financial instrument settlement	—	5,409
Loss on fair value change of derivative financial instrument	(2,074)	—
Gain on financial investments included in other receivable	28,920	—
Gain on technical service	6,603	14,631
Gain on disposal of lease prepayments	507	—
Gain on commission service	—	6,452
Others	(20,829)	(2,363)
	13,127	80,347
	495,675	379,537

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Cost of inventories sold	40,467,796	30,329,204
Depreciation of items of property, plant and equipment	1,097,964	840,699
Amortisation of prepaid lease prepayments	53,837	51,032
Amortisation of other intangible assets	78,278	59,086
Provision against obsolete inventories *(note)*	169,846	95,701
Provision for warranties	706,362	257,540
Minimum lease payments under operating leases:		
Plant and machinery	27,586	22,658
Land and buildings	43,640	30,189
Research and development costs	2,074,217	1,186,947
Less: amount capitalised	(1,135)	—
	2,073,082	1,186,947
Included in other expenses, net:		
Impairment of trade receivables	336,663	117,688
Impairment of other receivables, net	(21,951)	(6,788)
Impairment of property, plant and equipment	1,866	—
Exchange losses, net	30,029	13,584
Loss on disposal of items of property, plant and equipment, net	64,493	860
	411,100	125,344

Note: Included in "Cost of sales" on the face of the consolidated income statements for the six months ended 30 June 2013 and 2014.

6. FINANCE COSTS

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	322,397	294,679
Interest on bills discounted	457	159
Less: Interest capitalised in construction in progress	(26,906)	(20,184)
Unrealised (gain)/loss on financial instruments at fair value through profit or loss	(333)	627
	295,615	275,281

7. INCOME TAX EXPENSE

The major components of income tax expense in the interim consolidated income statement are:

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Current tax charge comprises		
PRC enterprise income tax	685,411	390,050
Hong Kong Profits Tax	19	8,676
Other jurisdictions	4,263	5,629
	689,693	404,355
Deferred tax credit	(75,105)	(60,118)
	614,588	344,237

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% is applied to the Company, except for certain subsidiaries which were either exempted from tax or entitled to different preferential tax rates during the years. Certain subsidiaries of the Group are entitled to the preferential tax rate of 15% (2013: 15%) because they are recognised as the high and new technology enterprises by the local governments in the PRC.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the period.

Taxation arising in the jurisdictions other than the PRC and Hong Kong is calculated at rates prevailing in the relevant jurisdictions.

8. DIVIDENDS

At the annual general meeting held on 16 June 2014, the Company's shareholders approved the payment of the final dividends for the year ended 31 December 2013 of RMB0.09 per share which amounted to RMB1,242,270,000.

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	2,061,911	1,461,406
Number of Shares		
Number of domestic shares for the purpose of basic earnings per share	13,803,000,000	13,803,000,000
Effect of dilutive potential ordinary shares: share options	—	—
	13,803,000,000	13,803,000,000

No adjustment has been made to the basic earnings per share amount presented for the period 30 June 2014 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group purchased property, plant and equipment approximately RMB478 million (six months ended 30 June 2013: RMB188 million) from third parties.

In addition, the Group incurred costs for construction in progress of RMB1,495 million (six months ended 30 June 2013: RMB1,362 million).

The amount of borrowing costs capitalised during the six months ended 30 June 2014 was approximately RMB27 million (six months ended 30 June 2013: RMB20 million). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 2.75% -7.04% (six months ended 30 June 2013: 4.80%-6.98%).

In addition, during the same period, property, plant and equipment with a net book value of approximately RMB72 million (six months ended 30 June 2013: RMB94 million) were disposed of by the Group which resulted in a net loss on disposal of approximately RMB64 million (six months ended 30 June 2013: net gain on disposal of approximately RMB1 million).

Property, plant and equipment with an aggregate carrying amount of RMB60 million (31 December 2013: RMB52 million) are pledged for acquiring bank borrowings.

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying amount of RMB2,162 million (31 December 2013: RMB2,970 million) at 30 June 2014. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these buildings.

11. INVENTORIES

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Cost, net of provision Raw materials	8,360,256	5,647,236
Work in progress	11,859,622	7,329,232
Finished goods	7,426,834	4,744,651
	27,646,712	17,721,119

12. TRADE RECEIVABLES

The Group generally requires its customers to make payment before or upon delivery, however, the Group granted certain credit period to those long standing customers with bulk purchase and good payment history. In the opinion of the Directors, the Group has effectively granted an average credit period of around six months to the customers after taking into account the practice of the industry in which the Group conducted its business.

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Trade receivables	39,507,388	34,886,943
Less: allowance for doubtful debts	(1,102,682)	(766,133)
	38,404,706	34,120,810

An aged analysis of the trade receivables as at the statement of financial position date based on the invoice date and net of provision for impairment of receivables, is as follows:

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Within 6 months	29,767,591	27,763,000
6 months to 1 year	6,557,579	4,120,545
Over 1 year	2,079,536	2,237,265
	38,404,706	34,120,810

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
— CSR Group and its subsidiaries, excluding the Group (the "CSRG Group")	60,590	64,959
— Joint ventures	45,779	52,617
— Associates	176,775	185,871
	283,144	303,447

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

At 30 June 2014, an aggregate carrying amount of RMB85,000,000 (31 December 2013: RMB5,000,000) trade receivables are pledged for acquiring bank borrowings.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Prepayments	7,053,709	4,875,717
Deposits and other receivables	6,067,494	3,581,747
	13,121,203	8,457,464

An analysis of deposits and other receivables is as follows:

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Other receivables	2,022,289	1,591,521
Dividend receivable	210,691	10,691
Long term receivable due within one year	878,328	600,700
Value added tax recoverable	1,204,640	595,367
Available-for-sale financial assets	1,751,000	764,790
Others	546	18,678
	6,067,494	3,581,747

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
CSRG Group	3,799	3,097
A joint venture	5,098	3,402
	8,897	6,499

The balances due from related parties are unsecured, interest-free and have no fixed terms of repayment.

14. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Cash and cash equivalents are comprised of the following:

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Cash and bank balances	19,136,521	16,400,137
Less: Pledged time deposits	(3,572,823)	(1,495,037)
Cash and cash equivalents in the condensed consolidated statement of financial position	15,563,698	14,905,100
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(961,724)	(896,396)
Cash and cash equivalents in the condensed consolidated statement of cash flows	14,601,974	14,008,704

Pledged bank balances and time deposits represented balances pledged to banks for the issuance of the Group's bills payable and letters of credit, and for the grant of bank loans to the Group.

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

15. TRADE PAYABLES

An aged analysis of trade payables as at the statement of financial position date, based on the invoice date, is as follows:

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Within 6 months	35,199,041	28,989,178
6 months to 1 year	3,200,204	1,998,692
Over 1 year	911,306	810,256
	39,310,551	31,798,126

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
CSRG Group	41,737	55,702
Joint ventures	232,096	109,016
Associates	9,319	—
	283,152	164,718

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

16. BILLS PAYABLES

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Within 6 months	10,175,888	13,574,959
6 months to 1 year	398,363	—
	10,574,251	13,574,959

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
CSRG Group	1,920	17,766
A joint venture	2,500	—
	4,420	17,766

17. OTHER PAYABLES AND ACCRUALS

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Other payables	4,499,156	3,419,577
Advances from customers	9,459,677	7,141,790
Accruals	3,132,585	1,962,176
	17,091,418	12,523,543

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
CSRG Group	421,442	362,071
A Joint venture	180,201	167,917
	601,643	529,988

The above balances are unsecured, interest-free and repayable on demand.

18. BORROWINGS

	Effective interest rate per annum	Maturity	31 December 2014	31 December 2013
	(%)		*RMB'000*	*RMB'000*
Current				
Bank borrowings				
— Secured	Interest Free—6.60	2014—2015	1,288,136	134,570
— Unsecured	2.00—6.60	2014—2015	10,653,909	4,161,976
Other borrowings				
— Secured	3.00—6.60	2014	26,300	6,185
— Unsecured	3.00—6.60	2014	823,000	773,000
Short term bond				
— Unsecured	5.00	2014	4,000,000	2,000,000
Current portion of long term borrowings				
Bank borrowings				
— Secured	0.06—6.22	2014—2015	56,354	212,255
— Unsecured	0.06—6.40	2014—2015	751,205	312,508
Other borrowings				
— Secured	6.58	2014	5,000	5,000
— Unsecured	4.80—7.04	2014	798	798
			17,604,702	7,606,292
Non-current				
Bank borrowings				
— Secured	0.20—6.56	2015—2035	57,059	376,515
— Unsecured	Interest Free—7.04	2015—2017	306,130	188,599
Other borrowings				
— Unsecured	4.80—7.04	2015—2017	3,073	3,397
Long term bonds				
— Unsecured	4.70—6.20	2017—2023	3,700,000	3,000,000
			4,066,262	3,568,511
			21,670,964	11,174,803

19. SHARE-BASED PAYMENT TRANSACTIONS

The expense reversing the share option scheme for the six months ended 30 June 2014 and 2013 is as follows:

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Equity-settled share option expense	(38,042)	(25,810)

In March 2011, the Company submitted a share option scheme to the China Securities Regulatory Commission, and there was no dissent. On 26 April 2011, the share option scheme was approved by the 2011 first extraordinary general meeting. Then the Company adopted an A share share option scheme (the Share Option Scheme) for the purpose of providing incentives to eligible participants, and eligible participants of the Share Option Scheme included the directors, senior management (independent non-executive directors excluded), and key technical personnel and management personnel who have direct effect on the performance and continuing development of the Company.

On 27 April 2011, the board of the directors of the Company granted 36,605,000 share options to the participants under the Share Option Scheme to subscribe for 36,605,000 A shares of par value RMB1.00 each of the Company pursuant to the resolution of the general meeting. The number of the share options granted doesn't exceed 1% of the total number of A shares in issue, and the share options granted has a validity period of seven years, commencing from the grant date determined by the board of the directors of the Company. Subject to fulfillment of all effective conditions under the Share Option Scheme and after the expiry of the two-year lock-up period from the grant date, the share options shall become exercisable in three batches according to the following effective arrangements:

Maximum percentage exercisable	Period for vesting of the relevant percentage of the option
Lot 1: 1/3 of the total Share Options granted	From the first trading day after the expiration of the 24-month period following the grant date to the last trading day preceding the expiration of the 60-month period following the grant date
Lot 2: 1/3 of the total Share Options granted	From the first trading day after the expiration of the 36-month period following the grant date to the last trading day preceding the expiration of the 72-month period following the grant date
Lot 3: 1/3 of the total Share Options granted	From the first trading day after the expiration of the 48-month period following the grant date to the last trading day preceding the expiration of the 84-month period following the grant date

The share options granted but not yet effective shall lapse forthwith and shall be cancelled by the Company.

The exercise price is the price at which the Company entitled the participants of the Share Option Scheme to subscribe for each share of the underlying stock. The exercise price was determined at the higher of the closing price of the A Shares on the trading day immediately preceding the date of the Share Option Scheme Announcement and the average closing price of the A Shares for the 30 trading days immediately preceding the date of the Share Option Scheme Announcement, which was RMB5.43.

The fair value of the share options granted in 2011 is RMB151,010,000, of which the Group reversed a share options expense of RMB44,550,000 due to the forfeit forthwith of the second batch of share options and recognised a share options expense of RMB6,508,000 due to the third batch of share options during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB14,659,000 recognised for the total share options).

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

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

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

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

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

As the 2013 and 2012 annual results of the Group failed to achieve the required growth rate of the revenue under the Share Option Scheme, the first and second batches of share options did not become effective. Pursuant to relevant terms and requirements under the Share Option Scheme, such share options not becoming effective forfeited forthwith and were cancelled by the Company on 26 April 2013 and 26 April 2014 respectively. As of 30 June 2014, there are 24,838,454 share options granted being forfeited (six months ended 30 June 2013: 12,201,667 share options).

	Six months ended 30 June 2014 Number	Year ended 31 December 2013 Number
Outstanding at the beginning of the period/year	24,403,333	36,605,000
Forfeited during the period/year	(12,636,787)	(12,201,667)
Outstanding at the end of the period/year	11,766,546	24,403,333

On 30 June 2014, the expiry dates of the un-exercised share option are 7 years after the grant date.

20. BUSINESS COMBINATION

On 2 July 2012, Zhuzhou Times New Material Technology Co., Ltd. ("ZTNM"), a subsidiary of the Company, acquired 50% equity interest in Qingdao Huaxuan Environmental Protection and Technology Co., Ltd. ("Qingdao Huaxuan") at a cash consideration of RMB24,067,000. Qingdao Huaxuan changed its name to Qingdao CSR Huaxuan Water Service Co., Ltd. ("CSR Huaxuan"). The fair value of identifiable net assets related to the acquired equity interest was RMB23,007,000. From then, according to the articles of association, CSR Huaxuan became the jointly-controlled entity of the ZTNM.

On 14 May 2013, ZTNM acquired 10% more equity interest in CSR Huaxuan by injecting a cash amount of RMB6,671,000 individually, after which ZTNM owned 60% equity interest in CSR Huaxuan. From then, according to the revised articles of association, CSR Huaxuan became the subsidiary of ZTNM. As at the date of acquisition, the fair value of initial acquired 50% equity interest was RMB23,007,000. The relevant loss generated from the fair value revaluation of the 50% equity interest was amounted to RMB569,000.

According to the evaluation results of the independent appraiser, the fair values of the identifiable assets and liabilities of the above acquired subsidiary as at the date of acquisition were as follows:

	Fair value recognised on acquisition CSR Huaxuan *RMB'000*
Property, plant and equipment	17,694
Prepaid lease payments	8,538
Other intangible assets	2,125
Inventories	10,987
Trade receivables	6,652
Bills receivable	390
Prepayments, deposits and other receivables	20,911
Cash and cash equivalents	14,643
Interest-bearing bank and other borrowings	(7,000)
Deferred tax liabilities	(2,050)
Other non-current liabilities	(720)
Trade payables	(2,425)
Bills payable	(730)
Other payables and accruals	(40,640)
Non-controlling interests	(11,350)
Net assets	17,025
Goodwill arising on acquisition	12,653
	29,678
Satisfied by:	
Acquisition cost	29,678

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

	CSR Huaxuan *RMB'000*
Acquisition cost	(29,678)
The fair value of the initial acquired 50% equity interest as at the date of acquisition based on the evaluation results	23,007
Cash consideration in the current period	(6,671)
Cash and bank balance acquired	14,643
Net inflow of cash and cash equivalents included in cash flows from investing activities	7,972
Transaction costs of the acquisition included in cash flows from operating activities	(350)
	(7,622)

The fair value of the trade receivables as at the date of acquisition amounted to RMB6,652,000. The gross contractual amounts of trade receivables were RMB6,708,000, of which trade receivables of RMB56,000 are expected to be uncollectible.

From the date of acquisition, CSR Huaxuan has contributed RMB25,606,000 of revenue and RMB2,421,000 to the net profit after tax of the Group. If the combination had taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been RMB36,441,303,000 and RMB1,670,078,000, respectively.

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

The transaction costs of RMB350,000 have been expensed and are included in administrative expenses in the income statement and are part of operating cash flows in the statement of cash flows.

21. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Contracted, but not provided for:		
— Property, plant and equipment	2,319,774	2,432,890
— Prepaid lease payments	117,287	30,086
— Other intangible assets	3,781	14,051
	2,440,842	2,477,027
Authorised, but not contracted for:		
— Property, plant and equipment	1,605,430	1,197,634
— Prepaid lease payments	10,500	10,500
— Other intangible assets	12,893	13,488
	1,628,823	1,221,622

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Contracted, but not provided for:		
— Property, plant and equipment	36,000	18,000

(b) Other commitments

As at 30 June 2014, the Group's commitment for investment in setting up new entities amounted to RMB2,791,481,000 (31 December 2013: RMB2,441,481,000).

Contingent liabilities

As at 30 June 2014 and 31 December 2013, the Group had no significant contingent liabilities.

22. RELATED PARTY TRANSACTIONS

Except as disclosed in elsewhere in the condensed financial statements, the group has entered into the following significant transactions with related parties during the six months ended 30 June 2014 and 2013:

		Six months ended 30 June	
		2014	**2013**
		RMB'000	*RMB'000*
(a)	Purchase of materials and components from:		
	— CSRG Group	51,662	76,075
	— Joint ventures	747,845	147,946
	— Associates	19,412	—
		818,919	224,021
(b)	Sale of goods to:		
	— CSRG Group	40,468	54,781
	— Joint ventures	566,802	504,335
	— An associate	104,121	12,721
		711,391	571,837

		Six months ended 30 June	
		2014	**2013**
		RMB'000	*RMB'000*
(c)	Provision of service to:		
	— CSRG Group	3,678	—
	— An associate	220	8,240
		3,898	8,240
(d)	Service fee:		
	— CSRG Group	2,651	—
(e)	Rental of property, plant and equipment from:		
	— CSRG Group	11,140	9,559
(f)	Fee and commission income from:		
	— CSRG Group	936	477
(g)	Interest expense:		
	— CSRG Group	23,306	4
(h)	Purchase of property, plant and equipment:		
	— CSRG Group	14,964	—

(i) Outstanding balances with related parties

In addition to those disclosed in elsewhere in these interim condensed consolidated financial statements, the Group had the following outstanding balances with related parties:

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
(i) Loans and advances to customers:		
— CSRG Group	30,000	30,000
(ii) Bills receivable:		
— CSRG Group	12,010	29,000
(iii) Borrowings:		
— CSRG Group	800,000	750,000
(iv) Due to customers:		
— CSRG Group	75,709	33,157

(j) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Short-term employee benefits (equity-settled share option expenses excluded) *(Note 1)*	6,049	5,358
Post-employment benefits	286	372
Total compensation paid/payable to key management personnel	6,335	5,730
Number of share options to key management personnel *(unit: share)*	534,732	1,069,466

The related expense on share options to key management personnel reversed in six months ended 30 June 2014 was RMB1,787,000 (six months ended 30 June 2013: RMB698,000 recognised).

(k) Commitments with related parties:

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Sale of goods to:		
— CSRG Group	3,889	—
— Joint ventures	758,631	201,452
	762,520	201,452
Purchase of materials and components from:		
— CSRG Group	43,104	1,809
— Joint ventures	628,719	734,959
	671,823	736,768

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

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organisations (collectively the "State-owned Entities"). During the period, the Group enters into extensive transactions with these State-owned Entities including, but not limited to, sales and purchases. The China Railway Corporation and entities invested and managed by local railway departments are identified as a single State-owned Entity by the directors of the Company, the revenue from the State-owned Entity amounted to RMB21,062,086,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: RMB8,691,169,000).

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

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

The fair values of listed equity investments, forward currency contracts and financial assets at fair value through profit or loss are based on quoted market prices. The fair values of corporate wealth management products with underlying of debt securities are based on discounted cash flow using the rate that reflects the expected yield and the credit risk of the counterparties.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. But short-term and long-term bonds are included in interest-bearing bank and other borrowings, and the fair value of the short-term and long-term bonds is estimated using quoted market prices. The carrying amounts and fair values of the Group's interest-bearing bank and other borrowings are RMB21,670,964,000 (31 December 2013: RMB11,174,803,000) and RMB21,387,734,000 (31 December 2013: RMB10,930,270,000), respectively.

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

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets measured at fair value:

As at 30 June 2014

Financial assets	**Fair value as at 30 June 2014** *RMB'000*	**Fair value as at 31 December 2013** *RMB'000*	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
Available-for-sale investments:				
Equity investments	631,353	669,928	Level 1	Quoted market price
Corporate wealth management products with underlying of debt securities	1,751,000	764,790	Level 2	Discounted cash flow using with underlying of debt securities the expected interest rate
Derivative financial instruments:				
Forward currency contracts	2,169	4,243	Level 1	Quoted market price
Equity investments at fair value through profit or loss	7,144	6,746	Level 1	Quoted market price
	2,391,666	1,445,707		

During the six-month ended 30 June 2014 and the year ended 31 December 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

24. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Subsequent to 30 June 2014, there are no significant events occurred.

5 INDEBTEDNESS

The borrowings of CSR Group and CNR Group as at 30 November 2014 were as follows:

	CSR Group as at 30 November 2014 *RMB'000*	**CNR Group as at 30 November 2014** *RMB'000*	**The Enlarged Group as at 30 November 2014** *RMB'000*
Current			
Bank loans			
— Secured	1,200,114	1,130,000	2,330,114
— Unsecured	8,207,408	9,218,450	17,425,858
Other loans			
— Secured	—	8,000	8,000
— Unsecured	1,187,422	701,980	1,889,402
Short-term inter-bank corporate bonds			
— Unsecured	3,000,000	16,984,867	19,984,867
Add: Current portion of long-term borrowings	579,894	1,590,000	2,169,894
	14,174,838	29,633,297	43,808,135

	CSR Group as at 30 November 2014 *RMB'000*	CNR Group as at 30 November 2014 *RMB'000*	The Enlarged Group as at 30 November 2014 *RMB'000*
Non-current			
Bank loans			
— Secured	78,000	—	78,000
— Unsecured	3,475,027	2,433,403	5,908,430
Other loans			
— Secured	23,000	5,000	28,000
— Unsecured	7,000	—	7,000
Medium-term notes			
— Unsecured	—	3,973,885	3,973,885
Bonds			
— Unsecured	3,700,000	—	3,700,000
	7,283,027	6,412,288	13,695,315
Less: Current portion of long-term borrowings	579,894	1,590,000	2,169,894
	6,703,133	4,822,288	11,525,421
	20,877,971	34,455,585	55,333,556

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

	CSR Group as at 30 November 2014 *RMB'000*	CNR Group as at 30 November 2014 *RMB'000*	The Enlarged Group as at 30 November 2014 *RMB'000*
Property, plant and equipment	22,656	—	22,656
Prepaid land lease payments	4,455	15,598	20,053
Time deposits and bank balances	1,110,200	—	1,110,200
Bills receivable and trade receivables	86,762	847,721	934,483
	1,224,073	863,319	2,087,392

The secured bank loans and other loans of CSR Group as at 30 November 2014 of approximately RMB104 million (CNR Group: RMB5 million) were guaranteed by independent third parties, The unsecured bank loans of CSR Group as at 30 November 2014 of approximately RMB8 million (CNR Group: nil) were guaranteed by related parties. All remaining borrowings were unguaranteed.

In addition, at 30 November 2014 CSR Group had outstanding obligations under finance leases of approximately RMB229 million and authorised but unissued debt securities of approximately RMB200 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, CSR Group did not have outstanding at the close of business on 30 November 2014, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases, hire purchases commitments, guarantees or other material contingent liabilities.

6 WORKING CAPITAL STATEMENT

Taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

7 NO MATERIAL CHANGE

As at the Latest Practicable Date, the CSR Directors confirm that there is no material change in the financial or trading position or outlook of the CSR Group since 31 December 2013 (being the date to which the CSR Group's latest published audited consolidated financial statements were prepared).

8 AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF CSR PREPARED UNDER PRC GAAP FOR THE 10 MONTHS ENDED 31 OCTOBER 2014

Since audited financials statements of the CNR Group for the two years ended 31 December 2012 and 31 December 2013 and the ten months ended 31 October 2014 in accordance with PRC GAAP were prepared in relation to the Merger pursuant to the requirements in the Standards on the Contents and Formats of Information Disclosures by Companies Publicly Offering Securities No.26 - Material Asset Restructuring of Listed Companies (Revision in 2014) (公開發行證券的公司信息披露內容與格式準則第26號 — — 上市公司重大資產重組(2014年修訂)) issued by CSRC, audited financials statements of the CSR Group for the two years ended 31 December 2012 and 31 December 2013 and the ten months ended 31 October 2014 in accordance with PRC GAAP were also prepared in relation to the Merger based on the principles of merger of equals and that equivalent information of the CSR Group should be made available to both CSR Shareholders and CNR Shareholders.

The following financial information is extracted from the audited financial statements for the ten months ended 31 October 2014.

CONSOLIDATED BALANCE SHEETS

AS AT 31 OCTOBER 2014

Assets	*Note (V)*	**31 October 2014** *RMB*
Current assets:		
Cash and bank balances	1	21,332,675,777
Financial assets at fair value through profit or loss	2	11,029,752
Notes receivable	3	4,654,245,612
Trade receivables	4	37,435,832,182
Advances to suppliers	5	5,138,428,107
Dividends receivable	6	5,141,973
Other receivables	7	2,145,405,907
Inventories	8	31,127,604,858
Held-for-trading financial assets	9	555,300,000
Non-current assets due within one year	11	1,253,573,435
Other current assets	10	1,268,225,851
Total current assets		104,927,463,454
Non-current assets:		
Loans and advances		102,900,000
Available-for-sale investment	9	1,027,548,590
Long-term receivables	11	4,469,028,787
Long-term equity investments	12	3,160,999,422
Fixed assets	14	23,692,009,160
Construction in progress	15	3,834,328,022
Intangible assets	16	5,688,930,535
Development expenditure	17	61,679,759
Goodwill	18	655,101,464
Long-term prepaid expenses	19	33,411,009
Deferred tax assets	20	1,088,745,944
Other non-current assets	21	1,318,520,922
Total non-current assets		45,133,203,614
TOTAL ASSETS		150,060,667,068

LIABILITIES	*Note (V)*	**31 October 2014** *RMB*
Current liabilities:		
Short-term borrowings	23	8,550,535,858
Short-term financing bond payable	24	5,000,000,000
Acceptance of money deposits		6,708,915
Notes payable	25	11,550,671,889
Accounts payable	26	40,608,000,010
Advances from customers	27	11,388,709,085
Employee benefits payable	28	1,878,274,058
Tax payable	29	1,090,472,901
Dividends payable	30	32,539,929
Interest payable	31	181,354,169
Other payables	32	4,696,419,774
Non-current liabilities due within one year	33	1,800,816,233
Total current liabilities		86,784,502,821
Non-current liabilities		
Long-term borrowings	34	2,734,924,226
Bonds payable	35	3,700,000,000
Long-term payables	36	180,341,866
Provisions	37	2,134,884,745
Deferred tax liabilities	20	132,884,616
Other non-current liabilities	38	3,976,329,252
Total non-current liabilities		12,859,364,705
TOTAL LIABILITIES		99,643,867,526

LIABILITIES	*Note (V)*	**31 October 2014** *RMB*
SHAREHOLDERS' EQUITY:		
Share capital	39	13,803,000,000
Capital reserve	40	9,959,710,761
Other comprehensive income	54	159,346,018
Surplus reserve	41	1,043,984,462
General reserve		49,858,666
Retained earnings	42	14,738,535,519
Total equity attributable to shareholders of the company		39,754,435,426
Non-controlling interests		10,662,364,116
TOTAL SHAREHOLDERS' EQUITY		50,416,799,542
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		150,060,667,068

The accompanying notes form part of the financial statements.

CONSOLIDATED INCOME STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 OCTOBER 2014

			Note (V)	**1 January to 31 October** *RMB*
I.	Operating income		43	94,677,259,118
	Less:	Operating costs	43	74,019,299,993
		Business taxes and surcharges	44	511,075,635
		Selling expenses	45	4,056,640,694
		Administrative expenses	46	8,424,137,891
		Financial expenses	47	469,880,392
		Impairment loss in respect of assets	48	1,029,564,503
	Add:	Changes in fair value losses	49	(11,483)
		Investment income	50	331,422,140
	Include:	Income from investment in associates and joint ventures	50	261,063,048
II.	Operating profit			6,498,070,667
	Add:	Non-operating income	51	657,504,843
	Less:	Non-operating expenses	52	197,848,451
	Include:	Losses from disposal of non-current assets	52	79,130,605
III.	Total profit			6,957,727,059
	Less:	Income tax	53	1,213,989,504
IV.	Net profit			5,743,737,555
Net profit attributable to shareholders of the company				4,545,273,065
Profit or loss attributable to Non-controlling interests				1,198,464,490

	Note (V)	**1 January to 31 October** *RMB*
V. Other comprehensive income		
Items will not be reclassified to gains (losses)		
Re-measurement of net defined benefits liabilities		(140,381,415)
Items will be reclassified to gains (losses) in subsequent accounting period if certain requirements are met		
Net gains (losses) from changes in fair value of available-for-sale financial assets		82,822,760
Exchanged differences on translation of financial statements in foreign currencies		(80,558,818)
		2,263,942
Net other comprehensive income after tax	54	(138,117,473)
VI. Total comprehensive income		5,605,620,082
Total amount of comprehensive income to shareholders of the Company		4,487,488,860
Total amount of comprehensive income to Non-controlling interests		1,118,131,222
VII. Earnings per share		
(I) Basic earnings per share	55	0.33
(II) Diluted earnings per share		Not Applicable

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 OCTOBER 2014

	Period from 1 January to 31 October									
	Total shareholders' equity attributable to equity holders of the parent									
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Retained earning	Sub-total	Non-controlling interests	Total shareholders' equity
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Balance at 1 January 2014	13,803,000,000	10,010,397,210	217,130,223	—	1,043,984,462	—	11,485,391,120	36,559,903,015	9,594,728,118	46,154,631,133
II. Changes for the period										
(1) Net profit	—	—	—	—	—	—	4,545,273,065	4,545,273,065	1,198,464,490	5,743,737,555
(2) Other comprehensive income *(Note (V) 54)*	—	—	(57,784,205)	—	—	—	—	(57,784,205)	(80,333,268)	(138,117,473)
Total comprehensive income	—	—	(57,784,205)	—	—	—	4,545,273,065	4,487,488,860	1,118,131,222	5,605,620,082
III. Owner's contributions and reduction in capital										
1. Capital contribution from owners	—	—	—	—	—	—	—	—	260,200,000	260,200,000
2. Acquire minority shareholders' equity of subsidiaries *(Note)*	—	(16,756,024)	—	—	—	—	—	(16,756,024)	(13,666,401)	(30,422,425)
3. Share-based payment *(Note (V) 58)*	—	(33,601,496)	—	—	—	—	—	(33,601,496)	—	(33,601,496)
4. Acquisition of subsidiary *(Note (IV) 4)*	—	—	—	—	—	—	—	—	(5,921,744)	(5,921,744)
5. Other	—	(328,929)	—	—	—	—	—	(328,929)	(293,042)	(621,971)
	—	(50,686,449)	—	—	—	—	—	(50,686,449)	240,318,813	189,632,364
IV Profit distribution										
1. Appropriation for surplus reserve	—	—	—	—	—	—	—	—	—	—
2. Distributions to shareholders	—	—	—	—	—	—	(1,242,270,000)	(1,242,270,000)	(290,814,037)	(1,533,084,037)
3. Appropriation of general risk provision *(Note (V) 42)*	—	—	—	—	—	49,858,666	(49,858,666)	—	—	—
	—	—	—	—	—	49,858,666	(1,292,128,666)	(1,242,270,000)	(290,814,037)	(1,533,084,037)
V. Special reserve										
1. Accrued	—	—	—	132,245,801	—	—	—	132,245,801	526,336	132,772,137
2. Utilised	—	—	—	(132,245,801)	—	—	—	(132,245,801)	(526,336)	(132,772,137)
	—	—	—	—	—	—	—	—	—	—
III. Balance at 31 October 2014	13,803,000,000	9,959,710,761	159,346,018	—	1,043,984,462	49,858,666	14,738,535,519	39,754,435,426	10,662,364,116	50,416,799,542

Note: In this period, CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Ltd. (hereinafter referred to as "Zhuzhou Institute (Hong Kong)") acquired 1,612,500 H shares of Zhuzhou CSR Times Electric Co. Ltd. in the stock market at HKD38.29 million, corresponding reduction in Non-controlling interests of RMB13.67 million, capital reserves decreased by RMB16.75 million.

The accompanying notes form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 OCTOBER 2014

	Note (V)	**1 January to 31 October** *RMB*
Cash Flows from Operating Activities		
Cash received from the sale of goods and the rendering of service		111,829,421,449
Cash received of tax refunds		619,390,262
Cash received relating to other operating activities		452,072,971
Sub-total of cash inflows		112,900,884,682
Payments for goods purchased and service received		(90,349,825,609)
Payments to employees		(8,552,342,256)
Payments of all types of taxes		(6,271,181,672)
Other payment relating to operating activities	56	(5,739,015,400)
Sub-total of cash outflows		(110,912,364,937)
Net Cash Flows from Operating Activities	57	1,988,519,745
Cash Flows from Investing Activities		
Proceeds from disposals of investments		2,537,140,874
Proceeds from returns on investments		263,954,077
Net proceeds from disposals of fixed assets, intangible assets and other long-term assets		139,753,334
Sub-total of cash inflow		2,940,848,285

	Note (V)	**1 January to 31 October** *RMB*
Payments to acquire and construct fixed assets, intangible assets and other long-term assets		(3,384,775,039)
Payments to acquire investments properties		(2,895,283,464)
Net payments for acquisitions of subsidiaries and business	Note (IV) 4	(1,775,191,531)
Other payments relating to investing activities	56	(1,023,618,758)
Sub-total of cash outflows		(9,078,868,792)
Net Cash Flows from Investing Activities		(6,138,020,507)
Cash flows from Financing Activities		
Proceeds from investors		260,200,000
Including: contribution from non-controlling interests		260,200,000
Proceeds from issuance of bonds		7,700,000,000
Proceeds from borrowings		28,227,745,701
Other proceeds relating to financing activities		200,000,000
Sub-total of cash inflows		36,387,945,701

	Note (V)	**1 January to 31 October** *RMB*
Payment for purchase non-controlling interests		(30,422,425)
Repayment of borrowings		(26,682,858,280)
Payments for distribution of dividends, profit and interest expenses		(2,181,093,557)
Including: payments for distribution of dividends and profit to non-controlling interests		(338,824,322)
Other payments relating to financing activities	56	(1,527,919,745)
Sub-total of cash outflows		(30,422,294,007)
Net cash flows from Financing Activities		5,965,651,694
Effect of Foreign Exchange Rate Changes on cash and cash Equivalents		(67,515,775)
Net Increase in Cash and Cash Equivalents	57	1,748,635,157
Add: Opening balance of Cash and Cash Equivalents	57	14,008,703,847
Closing Balance of Cash and Cash Equivalents	57	15,757,339,004

The accompanying notes form part of the financial statements.

BANLANCE SHEET OF THE COMPANY

AS AT 31 OCTOBER 2014

Assets	*Note (XIII)*	**31 October 2014** *RMB*
Current assets		
Cash and bank balances	1	3,139,222,490
Interest receivable		436,110,808
Dividends receivable		394,000,000
Other receivables	2	13,337,464,094
Total current assets		17,306,797,392
Non-current assets:		
Long-term receivables		1,035,000,000
Long-term equity investments	3	32,773,895,750
Available-for-sale financial assets		677,655
Fixed assets		10,705,069
Construction in progress		18,041,194
Intangible assets		25,401,461
Other non-current assets	4	394,690,000
Total non-current assets		34,258,411,129
TOTAL ASSETS		51,565,208,521

LIABILITIES AND SHAREHOLDERS' EQUITY	*Note (XIII)*	**31 October 2014** *RMB*
Current liabilities		
Short-term borrowings	5	2,750,000,000
Short-term financing bonds payable	6	5,000,000,000
Employee benefits payable		12,272,598
Tax payable		16,072,861
Interest payable		159,654,168
Other payables		7,617,143,783
Total current liabilities		15,555,143,410
Non-current liabilities		
Long-term borrowings	7	1,000,000,000
Bonds payable	8	3,000,000,000
Other non-current liabilities		18,219,364
Total non-current liabilities		4,018,219,364
TOTAL LIABILITIES		19,573,362,774
SHAREHOLDERS' EQUITY		
Share capital		13,803,000,000
Capital reserve	9	13,994,837,409
Surplus reserve	10	1,043,984,462
Retained earnings	11	3,150,023,876
TOTAL SHAREHOLDERS' EQUITY		31,991,845,747
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		51,565,208,521

INCOME STATEMENTS OF THE COMPANY

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 OCTOBER 2014

		Note (XIII)	**Period from 1 January to 31 October** *RMB*
Operating income		12	158,293,519
Less:	Operating costs	12	—
	Business taxes and surcharges		933,344
	Selling and distribution expenses		5,498,326
	Administrative expenses		90,795,024
	Financial expenses		4,028,701
Add:	Gains from changes in fair values Investment income	13	(886,481)
Operating profit			56,151,643
Add:	Non-operating income		1,143,403
Less:	Non-operating expenses		152,765
Total profit			57,142,281
Less: Income tax expenses			7,818,566
Net profit			49,323,715
Other comprehensive income			—
TOTAL COMPREHENSIVE INCOME			49,323,715

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 OCTOBER 2014

		Period from 1 January to 31 October				
		Share Capital *RMB*	**Capital reserves** *RMB*	**Surplus reserves** *RMB*	**Retained earnings** *RMB*	**Total shareholders' equity** *RMB*
I.	Balance at 1 January 2014	13,803,000,000	14,028,438,905	1,043,984,462	4,342,970,161	33,218,393,528
II.	Changes for the period					
	(I) Net profit	—	—	—	49,323,715	49,323,715
	(II) Other comprehensive income	—	—	—	—	—
Total comprehensive income		—	—	—	49,323,715	49,323,715
	(III) Owner's contributions and reduction in capital					
	1.Share-based payment	—	(33,601,496)	—	—	(33,601,496)
		—	(33,601,496)	—	—	(33,601,496)
	(IV) Distribution of profits					
	1.Distribution to shareholders	—	—	—	(1,242,270,000)	(1,242,270,000)
		—	—	—	(1,242,270,000)	(1,242,270,000)
III.	Balance at 31 October 2014	13,803,000,000	13,994,837,409	1,043,984,462	3,150,023,876	31,991,845,747

CASH FLOW STATEMENTS OF THE COMPANY

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 OCTOBER 2014

	Note (XIII)	**Period from 1 January to 31 October** *RMB*
Cash Flows from Operating Activities		
Receipts from the sale of goods and the rendering of services		166,473,641
Other receipts relating to operating activities		3,287,240,277
Sub-total of cash inflows		3,453,713,918
Payments to employees		(72,609,715)
Payments of all types of taxes		(7,021,234)
Other payments relating to operating activities		(185,469,377)
Sub-total of cash outflows		(265,100,326)
Net Cash Flows from Operating Activities	14	3,188,613,592
Cash Flows from Investing Activities		
Proceeds from returns on investments		252,000,000
Other proceeds relating to investing activities		2,000,058,333
Sub-total of cash inflows		2,252,058,333

	Note (XIII)	Period from 1 January to 31 October RMB
Payments to acquire and construct fixed assets, intangible assets and other long-term assets		(7,082,826)
Payments to acquire investments		(6,104,848,056)
Other payments relating to investing activities		(2,000,058,333)
Sub-total of cash outflows		(8,111,989,215)
Net Cash Flows from Investing Activities		(5,859,930,882)
Cash Flows from Financing Activities		
Proceeds from issue of bonds		7,000,000,000
Proceeds from borrowings		18,880,000,000
Sub-total of cash inflows		25,880,000,000
Repayment of borrowings		(21,680,000,000)
Payment for distribution of dividends, profit and interest expenses		(1,679,494,777)
Sub-total of cash outflows		(23,359,494,777)
Net Cash Flows from Financing Activities		2,520,505,223
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(8,734)
Net decrease in Cash and Cash Equivalents	14	(150,820,801)
Add: Opening balance of Cash and Cash Equivalents	14	2,280,233,767
Closing Balance of Cash and Cash Equivalents	14	2,129,412,966

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 OCTOBER 2014

I. GENERAL

The parent company of CSR Group (hereinafter referred to as the "CSRG", formerly known as China South Locomotive and Rolling Stock Industry Group Corporation), is a legal entity operating under the direct supervision of State-owned Asset Supervision and Administration Commission (hereinafter referred to as "SASAC"). Pursuant to approval documents of Reply for the issue related to the establishment of CSR Corporation Limited (SASAC Property [2007] No.1577) and Reply to the establishment of CSR Corporation Limited (SASAC Reform [2007] No.1588) obtained from the SASAC, CSRG and the CSR Group Investment Management Company (formerly known as Beijing Railway Industry Trade Company) were approved to restructure into a joint stock company limited to form CSR Corporation Limited (hereinafter referred to as the "Company" or "CSR") with value of its equity interests in its core operating businesses and the relevant assets of CSRG revalued in the assessment benchmark dated 30 June 2007 and certain cash. The Company was established in Beijing on 28 December 2007 and issued 6,900,000,000 and 100,000,000 (total 7,000,000,000 shares) shares to CSRG and the CSR Group Investment Management Company, which respectively accounted for 98.57% and 1.43% of the total shares.

Pursuant to the China Securities Regulatory Commission (CSRC)'s approval under ref. Zheng Jian Xu Ke [2008] No. 961, the Company issued 3,000 million ordinary shares of RMB1.00 were issued at a price of RMB2.18 per share each through the Shanghai Stock Exchange on 18 July 2008, and listed on the Shanghai Stock Exchange on 18 August 2008.

On 7 July 2008 according to Zheng Jian Xu Ke [2008] 883 issued by CSCR. On 21 August 2008, the Company completed its global offering of 1,600,000,000 H ordinary shares with nominal value of RMB1.00 each were issued at a price of HKD2.60 per share, and the H shares have since then been listed on Hong Kong Listing Main Board. On 12 September 2008, in connection with the partially exercise of the Over-allotment Option, 240,000,000 H ordinary shares with nominal value of RMB1.00 each were issued at a price of HKD2.60 per share by the Company.

Meanwhile, The Company's registered capital and share capital both increased to RMB11,840 million as the results of the capitalisation issue. Reanda Certified Public Accountants (Special General Partnership) verified the above listed on the Main Board, and issued related capital verification report numbered Reanda-ZI [2008] CRNo.1038. Reanda Certified Public Accountants (Special General Partnership) verified the above listed overseas, and issued related capital verification report numbered EY (2008) CRNo.60626562_A01.

Company completed the non-public issue of 1,963,000,000 A shares with par value RMB1 each, and the issue price was RMB4.46 per share, which was approved by the CSRC through Zheng Jian Xu Ke [2012] No. 210 on 20 February 2012. After the non-public issue, the Company's registered capital and share capital both increased to RMB13,803 million. Da Hua Certified Public Accountants verified the above listed on the Main Board and issued related capital verification report numbered DaHua-ZI [2012] CRNo.119.

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basics of preparation

The financial statement has been prepared under the Accounting Standards for Business Enterprises and its guidelines, interpretations and other related provisions (collectively referred to as "ASBE") issued by the Ministry of Finance ("MOF"), with earlier adoption of *ASBE 2- Long-term Equity Investments(Revised), ASBE 9- Employee Benefits(Revised), ASBE 30- Financial Statements Presentation(Revised), ASBE 33- Consolidated Financial Statements(Revised), ASBE 37-Presentation of Financial Instrument, ASBE 39- Fair Value Measurement, ASBE 40- Joint Arrangements and ASBE 41- Disclosure of Interests in Other Entities. As an overseas-listed company, Group has implemented five accounting principles except for ASBE 2- Long-term Equity Investments (Revised), ASBE 37-Presentation of Financial Instrument, ASBE 41- Disclosure of Interests in Other Entities and was processed in accordance with the relevant provisions of the cohesion. Group adopted ASBE 2- Long-term Equity Investments (Revised), ASBE 37-Presentation of Financial Instrument, ASBE 41- Disclosure of Interests in Other Entities* from 1 January 2014.

In addition, Group has adopted *prepared companies publicly issuing securities information disclosure rules 15-the general provisions of the financial report (Revised by 2010).*

The financial report is prepared for the purpose of merger, thus does not list the comparison information for the previous period.

The financial statements are prepared based under going-concern assumption.

2. Statement of compliance with ASBE

The financial statements have been prepared in compliance with the ASBE stated in Note (II) 1 truly and completely reflecting the Company's and consolidated financial position as at 31 October 2014 and the Company's and consolidated operating results and cash flow for the period from 1 January 2014 to 31 October 2014.

3. Accounting period

The financial year for the Group is from 1 January to 31 December of each year in solar calendar.

4. Reporting currency

The consolidated financial statements are presented in RMB. The monetary unit is expressed at RMB except for special explanations.

The subsidiaries, joint ventures and associated business of group determined the recording currencies according to their own operating environment, but it should be covert to RMB when preparing the financial reports.

5. Basis of preparation and principle of measurement

The Group's financial statements have been prepared under accrual-based accounting. All the items are measured at historical cost except for certain financial instruments. If impairment occurs, a provision for impairment should be accounted in accordance with the relevant standards.

Under historical cost method, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances (for example, income taxes), at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

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 measures and/or disclosures of fair values are determined under the price whatever the fair value can be observed or estimated on the estimated techniques.

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

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

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

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

6. Business combinations

Business combination refers to two or more separate entities into a transaction or event of a reporting entity. Business combinations are classified into the control by the same enterprise and not control by the same enterprise.

Business combinations under common control

If the companies involved in the merger are subject to the same party or parties' ultimate control before and after the merger and the control is not temporary, it is businesses combination under common control. In a business combination under common control, the party which gets the control of other party on merger date is the merge party. Merger date refers to the date that the merge party actually obtains control of the combined party.

Assets and liabilities acquired in a business combination under same control, the merger date are measured at book value of the merged party. The net book value of assets acquired by the acquirer and payment of the merger consideration book value (or nominal value of shares issued) shall be adjusted in the share premium reserve capital, insufficient, any excess is adjusted to retained earnings.

The direct cost of the business combination is recognised as profit or loss of the period.

Business combination not under common control

If the companies involved in a merger are not subject to the same party or the same parties' ultimate control before and after the merger, it is businesses combination not under the same control.

The cost of the merger means the paid of acquiree's assets paid, the fair value of liabilities incurred or assumed, and equity instruments for the acquirer to obtain control of the issued. Purchaser for audit, legal, consulting services, and other intermediary fees and other administrative expenses of the business combination, in the event of a profit or loss.

Acquiree's identifiable assets, liabilities and contingent liabilities acquired at fair value in business combination not under common control at the acquisition date.

The differences of sum of payable consolidated fair value (or issued equity securities fair value) and shares of acquiree held before purchase date and the acquiree identifiable net assets of the fair value are determined as goodwill. The total value of the fair value of the merged consideration being paid(or the fair value of the equity securities issued) along with the fair value of the acquiree's share hold on hand before the purchase date, less than the share of the fair value of the acquiree's net identifiable assets within the merger, acquiree's all identifiable assets, liabilities, fair value of the contingent assets, and the fair value's measurement of the consolidation of payment of consideration(or the fair value of the equity securities issued) along with the fair value of the acquiree's share hold on hand before the purchase date, should be reviewed prior. The total value of the fair value of the merged consideration being paid (or the fair value of the equity securities issued) along with the fair value of the acquiree's shareholidings before the purchase date after being reviewed, still less than the share of the fair value of the acquiree's net identifiable assets within the merger, the difference should recorded under the current profits and losses. If the consolidated are happened at the end of period, all the recognized assets, liabilities and contingent liabilities or all the temporary determined are determined and measured by temporary value by purchasers. Adjustment of temporarily determined value within 12 months of purchase date are determined and measured on purchase day.

7. Goodwill

Goodwill arised from acquisition of corporations is presented separately in the consolidated statement of financial position and it is measured at the cost less accumulated impairment losses. Impairment test should be conducted at the end of each financial year, or more frequently.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating company to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the company may be impaired. For goodwill arising on acquisition in a reporting period, the cash-generating Company to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable allocated first to reduce the carrying amount of any goodwill allocated to the Company and then to the other assets of the Company on a pro-rata basis based on the carrying amount of each asset in the Company.

The recoverable amount of an asset or a cash-generating company is the higher of its fair value less costs to sell and present value of expected future cashflow its value in use.

Impairment losses recognised for goodwill are not subsequently reversed.

8. Consolidated financial statements

The scope of consolidated financial statements is based on control. Control means an enterprise can decide the financial and manage policy of another enterprise and have authority to earn the benefit from another enterprise. A subsidiary is an enterprise or entity controlled by the Company. The financial condition results of operations and cash flows of subsidiaries included in the consolidated financial statements by controlling the start date until the end of date.

For the subsidiary companies controlled by the same enterprise, whether the combination occurs in any point of the reporting period, as if the subsidiary from the same date by the ultimate controlling party of the Group's consolidated.

The subsidiary company not controlled by the same enterprise, which in the preparation of the current period financial statement, based on the identifiable assets determined on the acquisition date and the fair value of the liability from the date of purchase will be the acquisition of subsidiaries are included in the scope of consolidation.

The difference between the cost of purchasing long-term equity investment of minority and the added share of the identifiable net assets from the acquisition date, adjusted the capital reserve(share premium) in the consolidated balance sheet, capital reserves (share premium) insufficient excess is adjusted to retained earnings.

Equity, profit and loss and comprehensive income attributable to minority shareholders of subsidiaries are separately showed after the shareholders' equity in the consolidated balance sheet and consolidated income statement the net profit and total comprehensive income items.

If the minority shareholders share the loss exceeds the opening owners' equity share, the balance is allocated against minority interests.

When the accounting period or accounting policies adopted by subsidiaries and the Company is different, In accordance with the accounting period or accounting policies of the Company's financial statements of subsidiaries to make the necessary adjustments on consolidation. Assets, liabilities, equity, revenues, expenses and cash flows of all transactions between the companies within the Group are generated at the time of the merger offset the full amount.

9. Cash and cash equivalents

Cash comprises cash on hand and demand deposits can be used to pay; Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

10. Translation of foreign operations and foreign currency financial statements

The Group converts transaction amounts in foreign currency into bookkeeping currency.

Foreign currency transactions are initially recognized at the transaction date exchange foreign currency amounts are translated into functional currency amount. At the balance sheet date, the balance sheet date exchange rate for foreign currency monetary items. Exchange difference caused by previous balance sheet date exchange rate when different spot exchange rate on that date and the initial recognition, except: (1) foreign currency exchange differences are eligible for capitalization of specific borrowings are capitalized during the capitalization confirm exchange differences (2) Confirm exchange differences for other changes in addition to the book balance of the amortized cost of produce sold to foreign monetary items in other comprehensive income are recognized in profit or loss.

Non-monetary items measured at historical cost still adopted the spot exchange rate in the transaction date. Without changing the amount of functional currency. Non-monetary items measured at fair value, the fair value is determined using the spot rate on the date, the difference between the amount of functional currency after translation and the original currency amount, as the changes in fair value (including foreign exchange rates) profit or loss or other comprehensive income.

For overseas business, the group converted bookkeeping currency into RMB in the preparation of the financial. In balance sheet, assets and liabilities are converted at the spot exchange rate of the balance sheet date, and all of the shareholders equity are measured by the spot exchange rate, in addition to the shareholder equity rights items "undistributed profits" item; revenue and expense are measured on the average rate in the cash flow. All of the foreign currency conversion differences are measured to other comprehensive income according to methods above.

When disposal overseas business, the other comprehensive income related to overseas business are converted into the disposal of the profits and losses of the current. When disposal part of equity investment or other reasons of decreased working invest without losing the control of overseas business controls, the conversion differences according to overseas business disposal related to foreign statements are not into current profits and losses. When disposal of part shares of overseas associates or joint venture, the foreign currency statement conversion differences of overseas business disposals percentage are measured into disposal of current profits and loss.

Foreign currency cash flow and cash flow of foreign subsidiaries are calculated by cash flow period average exchange rate. Adjustment items influenced by cash exchange rate are reported separately in the cash flow statement.

11. Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Effective interest method

Effective interest method represents the method for calculating the amortized costs and interest income or expense of each period in accordance with the effective interest rate of financial assets or financial liabilities (inclusive of a set of financial assets or financial liabilities). Effective interest rate represents the rate that discounts the future cash flow over the expected subsisting period or shorter period, if appropriate, of the financial asset or financial liability to the current carrying value of such financial asset or financial liability.

When calculating the effective interest rate, the Group will consider the anticipated future cash flow (not considering the future credit loss) on the basis of all contract clauses of financial assets or financial liabilities, as well as consider all kinds of charges, transaction fees and discount or premium paid forming an integral part of the effective interest rate paid or received between both parties of financial asset or financial liability contract.

Classification, recognition and measurement of the financial assets

Financial assets purchased and sold in regular way are recognized and derecognized based on the accounting at transaction date. Financial assets are divided into financial assets at fair value through profit or loss, held-to-maturity investments, loans and the accounts receivable and available for-sale financial assets when they are initially recognized. Financial instruments held by the Group are into financial assets at fair value through profit or loss, loans, the accounts receivable and held-for-trading financial assets.

Financial assets carried at fair value through profit or loss for the current period

Financial assets carried at FVTPL for the current period for the Company include financial assets held for trading and financial assets designated as at fair value through profit or loss for the current period.

Financial assets may be classified as financial assets held for trading if one of the following conditions is met: (1) the financial assets is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (2) the financial assets is part of a portfolio of identified financial instruments that are managed together and for which there is objective evidence of a recent pattern of short-term profit-taking; or (3) the financial assets is a derivative, excluding the derivatives designated as effective hedging instruments, the derivatives classified as financial guarantee contract, and the derivatives linked to an equity instrument investment which has no quoted price in an active market nor a reliably measured fair value and are required to be settled through that equity instrument.

A financial asset may be designated, on initial recognition, as at FVTPL if either: (1) the designation eliminates or significantly reduces a measurement or recognition inconsistency of the related gains and losses that would otherwise result from measuring assets or liabilities on different bases; or (2) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, and information about the group is reported on that basis to the Group's key management personnel. The Group's formal documentation has been prepared with respect to such risk management or investment strategy. (3) Eligible mixed tools which contain embedded derivatives.

Financial assets at FVTPL are subsequently measured at fair value, with gains or losses arising from changes in fair value as well as dividends and interest income related to such financial assets recognised in profit or loss for the current period.

Loans and trade receivables

Loans and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, adopting the actual interest rate method to carry out the ongoing measure based on amortized costs. On de-recognition, profit or loss arising from impairment or amortization is carried at profit or loss for the current period.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are, upon initial recognition designated as available for sale, and financial assets other than those carried at FVTPL, loans and receivables and held-to-maturity investments. Available-for-sale financial assets are measured on an on-going basis at fair value. Gain or loss on available-for-sale financial assets, except for impairment losses and exchange differences on monetary financial assets and amortized cost carried at profit or loss for the current period, shall be recognized as other comprehensive income. The financial assets shall be carried at profit or loss for the current period until they are derecognized or impairment. Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognized at profit or loss for the current period.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost.

Impairment of financial assets

In addition to financial assets at FVTPL for the current period, the Group reviews the book value of other financial assets at each balance sheet date and provide for impairment where there is objective evidence that financial assets are impaired. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence of impairment on financial asset includes those observable matters listed as follows:

(1) issuers or debtors encounter severe financial difficulties;

(2) Debtors violate terms of contract, such as breach of rulers or delay during settlement of interests or principal;

(3) The Group, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtors;

(4) It becoming probable that the debtors will enter bankruptcy or other financial reorganisations;

(5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

(6) Any reduction in cash flow of certain assets among a group of financial assets cannot be identified, while it is discovered that the estimated future cash flow of the financial assets has been reduced and can be measured since initial recognition after an overall evaluation based on disclosed information, including that:

— Adverse changes in the payment status of debtor in the group of financial assets;

— Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;

(7) The issuer may not recover the investment costs due to adverse changes in technological, market, economic or legal environment.

(8) A significant or prolonged decline in the fair value of an investment in an equity instrument (on the balance sheet date, if the equity tools invest fair value lower than initial investment cost 50%,), or lower than the initial investment costs more than 12 months(included 12 months).

(9) Other objective evidence indicating there is an impairment of a financial asset.

Impairment of financial assets measured at amortised cost

The carrying amount of financial assets measured at amortized cost is subsequently reduced to the present value discounted from its projected future cash flow (without future credit losses that have not been occurred) at its original effective interest (Effective interest rate determined at initial recognition), considering the value of collateral. The reduced amount is recognized as impairment loss and recorded as profit or loss for the year.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. There are objective evidences indicate that there has impairment for a financial asset, the amount of reduction is recognised as an impairment loss in profit or loss. For a financial asset that is not individually significant, the Group assesses the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income and included in the capital reserve.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. While the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

Transfer of financial assets

Financial asset that satisfied any of the following criteria shall be derecognised: (1) the contracted right to recover the cash flows of the financial asset has expired; (2) the financial asset, along with substantially all the risk and return of the ownership of the financial asset, has been transferred to the transferee; and (3) the financial asset has been transferred to the transferee, and the transferor has given up the control on such financial asset, though it does not transfer or retain substantially all the risk and return arising from the ownership of the financial asset.

If the Group neither transfer nor retained almost all the risks and payments of the ownership of financial assets, and the group do not give up the control of financial assets, the financial asset should be continuous recognized according to the extent of continuous holding and relevant liabilities should be recognized as well. The extent of continuous holding the financial assets is the risk level facing by the entity when the value of the financial assets fluctuated.

Where the entire transfer of financial assets meets conditions applicable to derecognition, the difference between the following amounts is recognised in profit or loss for the current period: the carrying amount of the financial asset being transferred and the sum of the consideration received from the transfer and any accumulated gain or loss that had been recognised in equity.

Part transfer of financial which meets the conditions of termination of recognition, book value of the transferred financial asset in the confirmation of the termination and termination of recognition between not part according to the relative fair value allocation, and will receive due to transfer to the price and should be assessed to terminate the recognition of changes in the fair value of part of the original into the accumulated other comprehensive income and the amount of the carrying amount and allocation of the balance shall be measured in profit or loss.

Classification recognition and measurement of financial liabilities

The Group recognizes financial instruments include financial liabilities or equity instruments according to the substance of contracts and the definition of financial liabilities and equity instruments.

At initial recognition, financial liabilities are classified either as "financial liabilities at FVTPL" or "other financial liabilities".

Financial liabilities at FVTPL

This category of financial liabilities includes financial liabilities classified as held for trading and financial liabilities designated by the entity as at FVTPL.

Those meet one of the following conditions of financial liabilities can be classified as trading financial liabilities: (1) The purpose of obtaining the financial liabilities mainly in order to buy back in the near future; (2) Initially recognized as part of the identified centrally managed portfolio of financial instruments, and there is objective evidence that the Group's near-term profit decision making on the management of the portfolio; (3) Belongs to derivative financial instruments category, but also designated as effective hedging instruments derivatives, financial guarantee contracts derivative, and linked to not quoted in an active market and whose fair value cannot be reliably measured by equity instruments investments and must be settled by delivery of equity instruments of the derivative instruments are excluded.

Financial liabilities in line with one of the following conditions at the time of initial recognition can be specified as the financial liability of financial assets and financial liabilities at fair value through profit or loss: (1) The designation eliminates or significantly reduces as the basis for the measurement of financial liabilities as a result of different related gains or losses in terms of recognition and measurement of the discrepancy; (2) The group risk management or investment strategy of formal written document has stated that the combination of financial liabilities financial liabilities or portfolio of financial assets and financial liabilities at fair value based management, evaluation and reporting to key management personnel; (3) Qualifying mixed tools contain embedded derivatives.

Financial liabilities at fair value through profit and loss are subsequently measured at fair value, with gains or losses arising from changes in fair value of financial liabilities as well as those related to dividends and interest income statement.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from de-recognition or amortization is recognized in profit or loss for the current period.

The financial guarantee contract

Financial guarantee contract, is the guarantee and a creditor agreement, when the debtor fails to perform the debt, guarantee performs the obligation or bear the liability according to the agreement of the contract. The financial guarantee is measured according to the fair value at the initial recognition, which is not belong to the designated at fair value and whose fluctuations are included in the current profits and losses of the financial liabilities of the financial guarantee contract, after the initial recognition in accordance ABSE 13-Contingency, the certain amount deducted from the amount of initial recognition according with ABSE 14-Revenue, subsequently measured with the higher of residual accumulated amortization.

Derecognition of financial liabilities

Financial liabilities are derecognised in full or in part only when the underlying present obligation is discharged in full or in part. An agreement is entered into between the Group (debtor) and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, derecognize the original financial liabilities as well as recognize the new financial liabilities.

When financial liabilities is derecognised in full or in part, the difference between the carrying amount of the financial liabilities derecognised and the consideration paid (including transferred non-cash assets or new financial liability assumed) is recognised in profit or loss for the current period.

Derivative instruments

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Changes of fair value of derivatives are carried at profit or loss for the current period.

Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

Equity instruments

Equity instruments are any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group issues (include refinances), repurchases, sells or cancelled equity tools as movement disposals. The Group shall not recognize the changes of the equity instruments' fair value. The trade expense related to equity transaction is deducted from the equity.

12. Trade receivables

(1) Trade receivables that are individually significant and for which bad debt provision is individually assessed.

The company and subsidiaries will identify the top five accounts receivable amount and single accounted which over 10% of the total amount of receivables as significant Accounts receivable.

The group perform Impairment test to Accounts receivable that are individually significant and test financial asset not occur impairment, including financial assets with similar credit risk characteristics in combination for impairment test.

(2) Receivable which bad debt provision is collectively assessed on portfolio basis.

Receivables that are individually insignificant are classified into certain groups based on the characteristics of credit risk. The Company provides for bad debts at the following ratios based on aging analysis method:

	Ratio of the provision for accounts receivable	**Ratio of the provision for other receivables**
	%	%
One year (include one year)	—	—
One-two years (include two years)	15	15
Two to three years (include three years)	50	50
More than three years	80	80

13. Inventory

(1) Inventories include raw materials, goods in process, consigned processing materials and working materials.

Inventories are initially measured at cost. The Cost of inventories includes purchasing cost, processing cost and others. When inventories are delivered, weighed average method is adopted to determine the actual cost of inventories delivered. Revolving materials include low-value consumables and packing materials amortizing amortized by immediate write-off or Divide second amortize method.

The perpetual inventory system is maintained for stock 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. After provision for decline in value of inventories has been made, if the circumstances that previously caused inventories to be written down no longer exist which results in the net realisable value

being higher than the carrying amount, the amount of the write- down is reversed in profit or loss for the current period; the reversal is limited to the amount originally provided for the decline in value of inventories.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

During making provision for decline in value of inventories, Raw materials and finished goods are accrued to a single Company. For items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicably evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis.

14. Long-term equity investment

Foundation to determine common control and significant influence to investee

Control is a kind of power that owned by investors. Investors can be able to get variable returns through taking part into investees' relating activities. The amount of return could also be influenced by investors' controlling power. Common control is a common power to an arrangement base on relating agreements. The decision become effective only when participants all agree. Investors have significant influence to investees' means investor can participate in investee's decision-making about financial and operating policies. However, investor cannot fully control the decision-making. When determine whether the investor can make significant influence to investee, executable warrants in the current period and other potential Voting rights items should be considered.

Determination of cost of investment

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the absorbing party's share of the carrying amount of the shareholders' equity of the party being absorbed at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment acquired is the cost of

acquisition. The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

Professional fees for audit, law services, evaluation consulting spend because of the consolidation should be account in profit and loss in the period occurred.

Methods for subsequent measurement and recognition of profits and loss

A long-term equity investment accounted for using the cost method

Group financial statement accounts long-term equity investment of subsidiaries using the cost method. Subsidiaries are investees that can are controlled by the group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Investment income recognized is limited to the amount distributed to it out of accumulated net profits of the investee arising after the investment was made. Any cash dividends or distributions received in excess of this amount is treated as return of initial investment cost to reduce the carrying amount of the investment.

A long-term equity investment accounted for using the equity method

The Group accounts associates and joint ventures using the equity method. Associates are the investees that Group can have significant influence in. Joint ventures are the joint arrangements that Group only have rights to the net assets of them.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group'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 Group'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 for the current period, and the cost of the long-term equity investment is adjusted accordingly.

When using the equity method of accounting, the current investment gains and losses and other comprehensive income is to be enjoyed or its share of the net profit or loss and other comprehensive income in the current year's investment. While recognising its share of the investee's net profit or loss and other comprehensive income when the investee to obtain the fair value of identifiable assets as the basis, and in accordance with the accounting policies and accounting period of the Group, to be invested net income and other comprehensive income after adjustment for confirmation. For transactions between the Group and its associates and joint ventures, investment or sale of assets does not constitute a business, unrealised trading gains and losses attributable to the Group's equity ratio should be offset partially confirmed the investment on the basis of gains and losses. However, the Group and its investees unrealised trading losses, impairment losses on assets belonging to the transfer, not should be offset. Except for net gains and losses in other comprehensive income and profit distribution of other changes in equity investees, adjust the book value of long-term equity investment and owner's equity corresponding.

When recognising its share of net losses of investment to the carrying value of long- term equity investments and other long-term interests substantially from net investment is written down to zero. In addition, as the Group has the obligation to assume additional losses, the press is expected to confirm the estimated liability obligations included in the current investment losses. After the Company has been invested to achieve net profits, the Group share of profits to cover losses unrecognised investment after restoration confirm the amount of revenue sharing.

Disposal of long-term equity investment

Disposal of long-term equity investment, the difference between the book value and the actual purchase price included in profit or loss. Long-term equity investments accounted using the equity method, when disposing of adoption and its investees directly related to the disposal of an asset or liability on the same basis, according to the corresponding proportion of the original part recognised in other comprehensive income are accounted for.

Long-term equity investment impairment test and impairment provision, see Note (II) 26.

15. Fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and have useful lives more than one accounting year.

Subsequent expenditure incurred on a fixed asset is included in the cost of the fixed asset, only if it is probable that economic benefits associated with the asset will flow to the Group and the relevant cost can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditure that fails to meet the capitalization criteria is charged to profit or loss when incurred.

A fixed asset is initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered, including price of purchase and related taxes.

The accrual of depreciation of fixed assets uses the straight-line method. The useful lives, estimated net residual values rate, annual depreciation are as follows:

	Useful lives	Estimated net residual values rate	Annual depreciation rate
Buildings	10-45 years	5%	2.11-9.50%
Machinery	6-20 years	5%	4.75-15.83%
Motor vehicles	5-12 years	5%	7.92-19.00%
Other equipment	5-10 years	5%	9.50-19.00%

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

When a fixed asset is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss for the current period.

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.

Recognition and pricing method of finance lease

The depreciation principle is consistent with fixed assets when dealing with leased assets. The asset which can be reasonably determined the ownership of the leased asset at the expiry of the lease period is depreciated over the life of the lease. The asset which cannot be reasonably determined the ownership at the expiry of the lease period is depreciated utilizing the shorter period between lease term and asset use life.

Impairment test and impairment provision of fixed asset, See Note (II) 26.

16. Construction in progress

Construction in progress is recognized at its actual construction cost, including all expenditures incurred for construction projects, capitalized borrowing costs for the construction in progress before it is ready for intended use, and other related expenses during the construction period.

A construction in progress is transferred to fixed assets when it is ready for intended use.

The impairment test and impairment provision of construction in progress, see Note (II) 26.

17. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Capitalization of such borrowing costs can commence 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.

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The amount of other borrowing costs incurred is recognized as an expense in the period in which they are incurred.

During the period of capitalization, the amount of interest capitalized during each accounting period is calculated by the following method:

(1) Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized 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 under general-purpose borrowings, the amount of interest to be capitalized on such borrowings is determined by applying a capitalization rate to the weighted average of the excess amounts of cumulative 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 abnormally and when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production is resumed. The borrowing cost shall be recognized as expenses during the interruption and measured through profits or loss until the assets construction or production activities restart.

18. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination that not involving under common control is the fair value as at the date of acquisition.

The useful lives of intangible assets determined by the period that it can make economic benefits flow to the group. For those intangible assets that are unable to foresee the beneficial period, group classified it as intangible assets with uncertain useful lives.

Useful lives of intangible assets are as follows:

	Useful lives
Land-use right	50 years
Proprietary technology and industrial property	3-10 years
Software license	2-10 years
Customer relations	7-15 years
Unfinished order and preferential technical services contract	2-5 years
Others	2-10 years

Land-use right acquired is normally recognized as an intangible asset. Self-constructed buildings (e.g. plants), related land-use right and the buildings are separately accounted for as an intangible asset and fixed asset. For buildings purchased, the purchase consideration is allocated among the buildings and land-use right on a reasonable basis. In case there is difficulty in making a reasonable allocation, the consideration is recognized in full as fixed assets.

An intangible asset with a finite useful life is amortized using the straight-line method over its useful life when the asset is available for use. The Group shall review the finite useful life of an intangible asset and the amortization method applied at the end of the twelve months. A change in the useful life or amortization method used shall be accounted for as a change in accounting estimate.

For an intangible asset with an indefinite useful life, no matter there is evidence indicating the impairment the Group reassesses the useful life of the asset in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group estimates the useful life of that asset and applies the amortization policy applicable to an intangible asset with a finite useful life accordingly.

Expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase is recognized in profit or loss in the period in which it is incurred.

Expenses incurred during the development stage that satisfy the following conditions are recognised as intangible assets, while those that do not satisfy the following conditions are accounted for in the profit or loss for the current period: it is technically feasible that the intangible asset can be used or sold upon completion; there is intention to complete the intangible asset for use or sale; the intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there is usage for the intangible asset; there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset; the expenses attributable to the development stage of the intangible asset can be measured reliably.

It is difficult to classify the expenditure into research stage and developing stage. Therefore, all of the expenditures of development are accounted in to current profit and loss.

The method of testing the impairment of intangible assets and the method for accruing provision for impairment is recorded in Note (II) 26.

19. Long-term prepaid expense

Long-term prepaid expenses is the expense that already occurred but should be assessed to the current period and future period. The period of apportion should be more than one year. During the expected beneficial period, long-term prepaid expenses was divided by the straight-line method.

20. Provisions

An obligation related to a contingency is recognized 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 will be required to settle the obligation; and (3) the amount of the obligation can be measured reliably.

At the balance sheet date, a provision is measured at the best estimate of the expenditure required to settle the related present obligation, taking into account the factors pertaining to a contingency such as the risks, uncertainties and time value of money.

21. Share-based payments

Share based payment, divided into the equity settled share based payment and cash settled share based payment. Employees (including directors) of the CSR Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The CSR Group adopts the equity-settled share payment.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The best estimate of the number of the vested equity instruments in the waiting period is the basis of the fair value. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Enlarged Group's best estimate of the number of equity instruments that will ultimately vest.

The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Enlarged Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

The fair value is determined by using the Black-Scholes model.

22. Revenue

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

From the sale of goods

When the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. The amount of the sale of goods is determined by the contract or the agreement, unless the price is not fair.

From the providing of services

At the balance sheet date, revenue from the providing of services. is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognized profits less recognised losses, the surplus is treated as an amount due to contract customers.

When the contract or agreement signed between the group and other enterprises including the sale of goods and services, if the amount of sales of goods and rendering of services can be measured separately, the revenue will be recognised partly; if the amount of sales of goods and provision of services cannot be distinguished, or are able to distinguish but cannot be measured, the entire contract is counted as selling goods.

Interest income

Interest income is determined by the time and effective interest rate when using the Group's funds by others.

Royalty revenue

Calculated and determined in accordance with the charging time and method of the contract or agreement.

Rental income

Rental income from operating leases is recognised on a straight-line method over the lease terms; The larger amount of initial direct costs are capitalised when incurred and counted to profit and loss during the entire period of the lease, the same stage of the confirmation of rental income. For other initial direct costs and contingent rental included in the profit and loss when incurred.

23. Government grants

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

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

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

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

24. Income tax

Income tax comprises current and deferred tax. Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

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

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

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

(1) Taxable temporary differences are produced in the following transactions: Initial recognition of goodwill, when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

(1) The deductible temporary differences are produced in the following transactions: the transaction is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

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

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

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.

25. Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease business with the Group recorded as lessee

Lease payment for operating lease is recognised in profits and losses for the current period using the straight-line method over the lease term. Contingent rent is recognised as profit or loss for the current period upon occurrence.

Operating lease business with the Group recorded as lessor

Rental income of operating lease is recognized in profit or loss for the current period using the straight-line method over the lease term. The initial direct cost where the amount is larger is capitalized when incurred, and accounted for as profit or loss for the current period on the same basis as recognition of rental income over the entire lease period. The initial direct cost where the amount is smaller is accounted for as profit or loss for the current period when incurred. Contingent rental is recognized as profit or loss when which it is incurred.

Finance leases business with the Group recorded as lessee

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease, and recognizes a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognized finance charge. Initial direct costs that are attributable to the leased item during the process of negotiating and securing the lease agreement are added to the amount recognized for the leased asset. Identification and valuation methods based on property, plant and equipment under finance leases are contained in Note (II) 15.

Unrecognized finance charges are allocated to each period during the lease term; finance charges for the current period are recognized using the effective interest method. Contingent rents are charged to profit or loss in the period in which they are actually incurred. The net amount of long-term payables under finance leases less unrecognized finance charges is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

Finance leases business with the Group recorded as lessor

At the commencement of the lease term, the Group recognizes the aggregate of the minimum lease receipts at the inception of the lease and the initial direct costs as a finance lease receivable, and record the unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognized as unearned finance income. Unearned finance income is allocated to each period during the lease term; finance income for the current period is recognized using the effective interest method. Contingent rents are charged to profit or loss in the period in which they actually arise.

The net amount of finance lease receivables less unearned finance income is separated into long-term debts receivable and the portion of long-term debts receivable due within one year for presentation.

Leaseback

According to the Group's sales and leasing terms, if sale and leaseback transaction is defined as a finance lease, the difference between the selling price and the book value of assets should be deferred and amortized in accordance with the depreciation of the leased asset, as the adjustment of the depreciation expense.

26. Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. If the financial assets is impaired, The Group assesses at each balance sheet date whether there is any indication that any intangible assets with a infinite useful life may be impaired.

If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs.

If the recoverable amount of an asset is less than its carrying amount, a provision for impairment loss of the asset will be made for the reduction and is charged to profit or loss for the current period.

An impairment loss recognized on the assets mentioned above shall not be reversed in any subsequent period.

27. Employee benefits

In the accounting period in which an employee has rendered services, the Group shall recognize the employee benefits payable as a liability excluding for compensation for cease of employment.

The Group participates in social security systems operated by the government as required. Payments of social security contributions for employees, such as premiums or contributions on pensions, medical insurance, payments of housing funds and other social welfare contributions shall be included in the cost of related assets or profit or loss when they are incurred.

When the Group terminates the employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognized with a corresponding charge to the profit or loss for the period.

Employee retirement benefits (defined benefit plan)

The related information of defined benefit plan refer to Note (V) 38.

For defined benefit plans, the cost of providing benefits is determined using the projected Company credit method, with actuarial valuations being carried out at the end of each annual reporting period. Defined benefit costs are categorized as follows:

(1) Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

(2) Net interest expense or income; and

(3) Remeasurement.

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

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

28. Dividends

The cash dividends are recognized as liability after the approval on shareholders' meeting.

29. Safety production costs

Extracting the safety production costs according to the regulation, included in the cost of the products or the profit or loss, as well as included in the special reserve; when used to distinguish whether the formation of fixed assets are treated separately: the cost of the expenses are directly offset against the special reserve; the others when reaches their intended use, recognized the fixed assets, as well as offset special reserves and confirm equivalence depreciation.

30. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues,

expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

De facto control over subsidiaries

When the Group's management considers whether the bodies of which the Group holds less than 50% main stake is its subsidiaries, the Group primarily assesses whether it has the power to control them, by assessing whether the Group has the ability to lead the bodies to actual activities unilaterally. In making this judgment, the Group's management considers whether it has the absolute control size, and the relative size and distribution of other shareholders. The judgment of actual control of the subsidiaries of the Group, please refer to Note (IV) 1.

The bodies of which the Group holds higher than 50% of the stake are classified as joint ventures

When the Group's management considers whether the bodies of which the Group holds more than 50% stake is its joint ventures, it mainly assesses whether its legal form allows the parties in the joint venture arrangements separate from the body. In addition, if there is no contract or any other facts and circumstances indicate that all parties in the joint venture arrangement enjoy the rights and undertake the obligations of liabilities of the joint venture arrangements. The judgment of the joint venture of the Group, refer to Note (V) 12.

Estimation uncertainty

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

Useful lives and residual value of property, plant and equipment

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

Employee retirement benefits and other welfare programs to co-ordinate extent debt

The Group has recognised the employee retirement benefit obligations as a liability. The Group's obligations are determined using actuarial valuations, which rely on various assumptions and conditions. The assumptions used in actuarial valuation reports include discount rates, the growth rate of the benefits and other factors. The deviation from the actual result and the actuary result will affect the accuracy of related accounting estimates. Even though management is of the view that the above assumptions are reasonable, any changes in condition of assumptions will still affect the estimated liability amount of employee retirement benefit obligations.

Provision for bad debts

The Group recognises its provision for bad debts based on the recoverability of its receivables. Provision for bad debts will be recognised when there is indication that receivables cannot be recovered. The recognition of provision for bad debts requires judgment and estimation. If there is any difference between the results of reassessment and the existing estimation, such difference will affect the carrying amount of the receivables for the period in which the estimation has changed.

Provision for inventory impairment

The Group recognizes provision for inventory impairment for obsolescence inventories. These estimate is made according to the ages of inventories, net realizable value of the inventories, and the experiences and judgment of the management. Provision for inventory impairment is required to be recognised when there is sign showing that the net realizable value is lower than cost. Due to changes in market conditions, actual sale ability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

Deferred tax assets

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

Impairment of non-financial assets (except for Goodwill)

The Group determines as at the balance sheet date whether there is indication of impairment for non-current assets other than financial assets. When there is indication that the carrying amount of such assets cannot be recovered, the assets are tested for impairment. When the carrying amount of an asset or a group of assets is higher than its recoverable amount (i.e. the higher of the net amount of fair value less costs of disposal and the present value of the estimated future cash flow), impairment exists. When estimating the present value of the future cash flow, the management must estimate the future cash flow of such asset or such group of assets and choose an appropriate discount rate to determine the present value of the future cash flow.

Impairment of goodwill

When testing whether the goodwill is impaired, the evaluation of the present value of the future cash flows on the groups of assets or group of assets with allocated goodwill is required. Upon the evaluation of the present value, the Group should evaluate the future cash flows of the group of assets or groups of assets using the appropriate discounted rate.

In this reported period no impairment of goodwill is provided. The carrying amount of goodwill at 31 October 2014 was RMB655,101,464. More information are given in Note (V) 18.

Provision for warranty

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

III. TAXES

1. Major categories of taxes and tax rates

Value-added tax (VAT)	Calculated as deduction of deductible input tax of current period from output tax which is calculated at the rate of 17% of taxable income.
Business tax	Calculated at the rate of 5% of taxable income.
City maintenance and construction tax	Calculated at the rate of 5%-7% of turnover taxes actually paid.
Education surcharge	Calculated at the rate of 5% of turnover taxes actually paid.
Enterprise income tax	Calculated at the rate of 25% of taxable income.

2. Tax incentive and approval

VAT

(1) According to the Notice of the Ministry of Finance and State Administration of Taxation (SAT) on VAT exemption of refurbishment of freight wagons (Cai Shui [2001], No.54) and Notice of SAT on VAT exemption of business of refurbishment of freight wagons of subsidiaries of China South Locomotive and Rolling Stock Industry (Group) Corporation (Guo Shui Han [2001], No.1006), business of refurbishment of freight wagons of subsidiaries of the company are exempted from VAT.

(2) According to the Notice of the Ministry of Finance and State Administration of Taxation (SAT) on policy of VAT of software products (Cai Shui [2011], No.100), the self-developed and manufactured software products selling by CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. ("CSR ZELRI") and its subsidiaries for the ten months ended 31 October 2014 enjoyed a VAT refund over the part surpassing 3% of the taxes actually paid.

Income tax

According to article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, a high and new technology enterprise that requires key state support is subjected to the enterprise income tax rate of 15%.

Approved by Qingdao Bureau of Science & Technology, Qingdao Bureau of Finance, Qingdao SAT and Qingdao Local Taxation Bureau, CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd. obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Beijing Municipal Science & Technology Commission, Beijing Bureau of Finance, Beijing SAT and Beijing Local Taxation Bureau, CSR Erqi Co., Ltd. obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Beijing Municipal Science & Technology Commission, Beijing Bureau of Finance, Beijing SAT and Beijing Local Taxation Bureau, Beijing Longxuan Rubber and Plastic Co., Ltd. obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Hunan Bureau of Science & Technology, Hunan Bureau of Finance, Hunan SAT and Hunan Local Taxation Bureau, Zhuzhou CSR Times Electric Co., Ltd. ("Times Electric") obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Hunan Bureau of Science & Technology, Hunan Bureau of Finance, Hunan SAT and Hunan Local Taxation Bureau, Zhuzhou Times Electronics Technology Co., Ltd. obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Hunan Bureau of Science & Technology, Hunan Bureau of Finance, Hunan SAT and Hunan Local Taxation Bureau, CSR Zhuzhou Electric Locomotive Co., Ltd. ("CSR Zhuzhou") obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Hunan Bureau of Science & Technology, Hunan Bureau of Finance, Hunan SAT and Hunan Local Taxation Bureau, CSR Zhuzhou Electric Co., Ltd. obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Hunan Bureau of Science & Technology, Hunan Bureau of Finance, Hunan SAT and Hunan Local Taxation Bureau, CSR ZELRI obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Hunan Bureau of Science & Technology, Hunan Bureau of Finance, Hunan SAT and Hunan Local Taxation Bureau, Zhuzhou Times New Material Technology Co., Ltd. ("Times New Material") obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Hunan Bureau of Science & Technology, Hunan Bureau of Finance, Hunan SAT and Hunan Local Taxation Bureau, Zhuzhou Times Engineering Plastics Products Co., Ltd. obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Hunan Bureau of Science & Technology, Hunan Bureau of Finance, Hunan SAT and Hunan Local Taxation Bureau, CSR Times Electric Automobile Co., Ltd. obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Jiangsu Bureau of Science & Technology, Jiangsu Bureau of Finance, Jiangsu SAT and Jiangsu Local Taxation Bureau, CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd. obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Jiangsu Bureau of Science & Technology, Jiangsu Bureau of Finance, Jiangsu SAT and Jiangsu Local Taxation Bureau, CSR Qishuyan Locomotive Co., Ltd. obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Jiangsu Bureau of Science & Technology, Jiangsu Bureau of Finance, Jiangsu SAT and Jiangsu Local Taxation Bureau, CSR Nanjing Puzhen Urban Rail Vehicle Co., Ltd. obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Hebei Bureau of Science & Technology, Hebei Bureau of Finance, Hebei SAT and Hebei Local Taxation Bureau, CSR Shijiazhuang Rolling Stock Co., Ltd. obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Hunan Bureau of Science & Technology, Hunan Bureau of Finance, Hunan SAT and Hunan Local Taxation Bureau, Zhuzhou Times Electric Insulation Co., Ltd. obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Hunan Bureau of Science & Technology, Hunan Bureau of Finance, Hunan SAT and Hunan Local Taxation Bureau, Zhuzhou Times Rubber and Plastic Component Development Co., Ltd. obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Jiangsu Bureau of Science & Technology, Jiangsu Bureau of Finance, Jiangsu SAT and Jiangsu Local Taxation Bureau, Changzhou Ruitai Engineering Co., Ltd. obtained a certificate of high and new technology enterprise in 2011 and has been subjected to the enterprise income tax rate of 15% from 2011 to 2013. The management could expect to enjoy this tax incentive policy in 2014.

Approved by Jiangsu Bureau of Science & Technology, Jiangsu Bureau of Finance, Jiangsu SAT and Jiangsu Local Taxation Bureau, CSR Changzhou Tech-mark Industrial Co., Ltd. obtained a certificate of high and new technology enterprise in 2012 and has been subjected to the enterprise income tax rate of 15% from 2012 to 2014.

Approved by Jiangsu Bureau of Science & Technology, Jiangsu Bureau of Finance, Jiangsu SAT and Jiangsu Local Taxation Bureau, Nanjing Puzhen Haitai Braking Equipment Co., Ltd. obtained a certificate of high and new technology enterprise in 2012 and has been subjected to the enterprise income tax rate of 15% from 2012 to 2014.

Approved by Jiangsu Bureau of Science & Technology, Jiangsu Bureau of Finance, Jiangsu SAT and Jiangsu Local Taxation Bureau, CSR Nanjing Puzhen Rolling Stock Co., Ltd. obtained a certificate of high and new technology enterprise in 2012 and has been subjected to the enterprise income tax rate of 15% from 2012 to 2014.

Approved by Hubei Bureau of Science & Technology, Hubei Bureau of Finance, Hubei SAT and Hubei Local Taxation Bureau, CSR Yangtze Rolling Stock Co., Ltd obtained a certificate of high and new technology enterprise in 2012 and has been subjected to the enterprise income tax rate of 15% from 2012 to 2014.

Approved by Hubei Bureau of Science & Technology, Hubei Bureau of Finance, Hubei SAT and Hubei Local Taxation Bureau, Xiangyang China Railway Hongji Engineering and Technology Co., Ltd obtained a certificate of high and new technology enterprise in 2012 and has been subjected to the enterprise income tax rate of 15% from 2012 to 2014.

Approved by Hebei Bureau of Science & Technology, Hebei Bureau of Finance, Hebei SAT and Hebei Local Taxation Bureau, Shijiazhuang Guoxiang Transportation Equipment Co., Ltd obtained a certificate of high and new technology enterprise in 2012 and has been subjected to the enterprise income tax rate of 15% from 2012 to 2014.

Approved by Henan Bureau of Science & Technology, Henan Bureau of Finance, Henan SAT and Henan Local Taxation Bureau, CSR Luoyang Locomotive Co., Ltd obtained a certificate of high and new technology enterprise in 2012 and has been subjected to the enterprise income tax rate of 15% from 2012 to 2014.

Approved by Hunan Bureau of Science & Technology, Hunan Bureau of Finance, Hunan SAT and Hunan Local Taxation Bureau, Zhuzhou Times Equipment Technology Co., Ltd. obtained a certificate of high and new technology enterprise in 2012 and has been subjected to the enterprise income tax rate of 15% from 2012 to 2014.

Approved by Tianjin Bureau of Science & Technology, Tianjin Bureau of Finance, Tianjin SAT and Tianjin Local Taxation Bureau, Tianjin CSR Wind Electricity Vane Engineering Co., Ltd. obtained a certificate of high and new technology enterprise in 2012 and has been subjected to the enterprise income tax rate of 15% from 2012 to 2014.

Approved by Qingdao Bureau of Science & Technology, Qingdao Bureau of Finance, Qingdao SAT and Qingdao Local Taxation Bureau, CSR Sifang Rolling Stock Co., Ltd. obtained a certificate of high and new technology enterprise in 2012 and has been subjected to the enterprise income tax rate of 15% from 2012 to 2014.

Approved by Shanxi Bureau of Science & Technology, Shanxi Bureau of Finance, Shanxi SAT and Shanxi Local Taxation Bureau, Xianyang Times Special Seal Technology Co., Ltd. obtained a certificate of high and new technology enterprise in 2012 and has been subjected to the enterprise income tax rate of 15% from 2012 to 2014.

Approved by Sichuan Bureau of Science & Technology, Sichuan Bureau of Finance, Sichuan SAT and Sichuan Local Taxation Bureau, Ziyang CSR Transmission Co., Ltd. obtained a certificate of high and new technology enterprise in 2012 and has been subjected to the enterprise income tax rate of 15% from 2012 to 2014.

Approved by Jiangsu Bureau of Science & Technology, Jiangsu Bureau of Finance, Jiangsu SAT and Jiangsu Local Taxation Bureau, Jiangsu Langrui Maoda Casting Co., Ltd. obtained a certificate of high and new technology enterprise in 2012 and has been subjected to the enterprise income tax rate of 15% from 2012 to 2014.

Approved by Jiangsu Bureau of Science & Technology, Jiangsu Bureau of Finance, Jiangsu SAT and Jiangsu Local Taxation Bureau, Changzhou CSR Diesel Engine Parts Co., Ltd. obtained a certificate of high and new technology enterprise in 2012 and has been subjected to the enterprise income tax rate of 15% from 2012 to 2014.

Approved by Jiangsu Bureau of Science & Technology, Jiangsu Bureau of Finance, Jiangsu SAT and Jiangsu Local Taxation Bureau, Changzhou CSR Auto Parts Co., Ltd. obtained a certificate of high and new technology enterprise in 2014 and has been subjected to the enterprise income tax rate of 15% from 2014 to 2016.

Approved by Hunan Bureau of Science & Technology, Hunan Bureau of Finance, Hunan SAT and Hunan Local Taxation Bureau, Zhuzhou CSR Qihong Heat Dissipation Technology Co., Ltd. obtained a certificate of high and new technology enterprise in 2012 and has been subjected to the enterprise income tax rate of 15% from 2012 to 2014.

Approved by Beijing Municipal Science & Technology Commission, Beijing Bureau of Finance, Beijing SAT and Beijing Local Taxation Bureau, Beijing CSR Times Locomotive Co., Ltd. obtained a certificate of high and new technology enterprise in 2013 and has been subjected to the enterprise income tax rate of 15% from 2013 to 2015.

Approved by Hubei Bureau of Science & Technology, Hubei Bureau of Finance, Hubei SAT and Hubei Local Taxation Bureau, Xiangyang CSR Electric Co., Ltd. obtained a certificate of high and new technology enterprise in 2013. Confirmed and registered in Registration Form of Enterprise Income Tax Incentive of Xiangfan SAT, it has been subjected to the enterprise income tax rate of 15% from 2013 to 2015.

According to *Notice on the further implementation of the relevant tax policies of the western development strategy (Cai Shui[2011], No.58)* published by the Ministry of Finance, General Administration of Customs and SAT, from 1 January 2011 to December 31, 2020, an enterprise in western area engaged in industries encouraged is subjected to the

enterprise income tax rate of 15%. CSR Chengdu Locomotive & Rolling Stock Co., Ltd. has been confirmed as an industrial enterprise encouraged by the state in Approval of confirmation of 22 enterprises whose core businesses are industries encouraged by the state *(Chuan Jing Xin Chan Ye Han [2012], No. 749)* published by Economic and Information Commission of Sichuan.

According to *Notice on the further implementation of the relevant tax policies of the western development strategy (Cai Shui[2011], No.58)* published by the Ministry of Finance, General Administration of Customs and SAT, from 1 January 2011 to December 31, 2020, an enterprise in western area engaged in industries encouraged is subjected to the enterprise income tax rate of 15%. According to *Chuan Jing Xin Chan Ye Han [2012], No. 573* published by Economic and Information Commission of Sichuan, the core business of CSR Ziyang Locomotive Co., Ltd. has been confirmed as an industry encouraged by the state. According to *Chuan Guo Shui Han [2006], No. 357*) published by Sichuan SAT, CSR Ziyang Locomotive Co., Ltd. has been confirmed to enjoy the tax incentive of western development enterprises and has been subjected to the enterprise income tax rate of 15%.

According to *Notice on the further implementation of the relevant tax policies of the western development strategy (Cai Shui[2011], No.58)* published by the Ministry of Finance, General Administration of Customs and SAT, from 1 January 2011 to December 31, 2020, an enterprise in western area engaged in industries encouraged is subjected to the enterprise income tax rate of 15%. According to *Chuan Jing Xin Chan Ye Han [2012], No. 573* published by Economic and Information Commission of Sichuan, the core business of CSR Yuchai Sichuan Engine Co., Ltd. has been confirmed as an industry encouraged by the state and the company has been subjected to the enterprise income tax rate of 15%.

According to *Notice on the further implementation of the relevant tax policies of the western development strategy (Cai Shui [2011], No. 58)* published by the Ministry of Finance, General Administration of Customs and SAT, from 1 January 2011 to December 31, 2020, an enterprise in western area engaged in industries encouraged is subjected to the enterprise income tax rate of 15%. According to *Notice of SAT on further implementation of the relevant enterprise income tax policies of the western development strategy (SAT [2012], No. 12) and Notice of Sichuan SAT on further implementation of the relevant enterprise income tax policies of the western development strategy (Sichuan SAT [2012], No. 7)*, Ziyang CSR Electric Locomotive Co., Ltd. has been confirmed to be subjected to the enterprise income tax rate of 15%.

According to *Notice on the further implementation of the relevant tax policies of the western development strategy (Cai Shui [2011], No. 58)* published by the Ministry of Finance, General Administration of Customs and SAT, from 1 January 2011 to December 31, 2020, an enterprise in western area engaged in industries encouraged is subjected to the

enterprise income tax rate of 15%. According to *Notice of SAT on further implementation of the relevant enterprise income tax policies of the western development strategy (SAT [2012], No. 12) and Notice of Sichuan SAT on further implementation of the relevant enterprise income tax policies of the western development strategy (Sichuan SAT [2012], No. 7)*, Ziyang CSR Electric Co., Ltd. has been confirmed to be subjected to the enterprise income tax rate of 15%.

According to *Notice on the further implementation of the relevant tax policies of the western development strategy (Cai Shui [2011], No. 58)* published by the Ministry of Finance, General Administration of Customs and SAT, from 1 January 2011 to December 31, 2020, an enterprise in western area engaged in industries encouraged is subjected to the enterprise income tax rate of 15%. CSR Meishan Co., Ltd. has been confirmed to be subjected to the enterprise income tax rate of 15% in *Approval of confirmation of 7 enterprises whose core businesses are industries encouraged by the state (Chuan Jing Xin Chan Ye Han [2013], No. 1059)* published by Economic and Information Commission of Sichuan.

According to *Notice on the further implementation of the relevant tax policies of the western development strategy (Cai Shui [2011], No. 58)* published by the Ministry of Finance, General Administration of Customs and SAT, from 1 January 2011 to December 31, 2020, an enterprise in western area engaged in industries encouraged is subjected to the enterprise income tax rate of 15%. Meishan CSR Fasteners Technology Co., Ltd. has been confirmed to be subjected to the enterprise income tax rate of 15% in *Approval of Meishan CSR Fasteners Technology Co., Ltd. to enjoy tax incentive of western development enterprise (Mei Kai Guo Shui Fa [2013], No. 9)* published by Sichuan Meishan Economic Development Area SAT.

According to *Notice on the further implementation of the relevant tax policies of the western development strategy (Cai Shui [2011], No. 58)* published by the Ministry of Finance, General Administration of Customs and SAT, from 1 January 2011 to December 31, 2020, an enterprise in western area engaged in industries encouraged is subjected to the enterprise income tax rate of 15%. Approved by Sichuan SAT and Sichuan Local Taxation Bureau, the core business of Sichuan Braking Technology Co., Ltd. has been confirmed as an industry encouraged by the state and the company has been subjected to the enterprise income tax rate of 15%.

IV. THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

1. Information of subsidiaries

Information of the major subsidiaries are as follows:

	Place of incorporation	Legal representative	Principal activities	Registered capital	Organization code	Paid-up capital	Proportion of ownership interest (%)	Proportion of voting right (%)	Consolidated or not consolidated	Non-controlling interests	Notes
CSR Zhuzhou Electric Locomotive Co., Ltd.	Zhuzhou	Zhou Qinghe	Manufacturing	4,184,195,800	77903109-6	4,184,195,800	100.00	100.00	Yes	—	
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	Qingdao	Zhang Zaizhong	Manufacturing	4,003,794,100	74036575-0	4,003,794,100	97.81	97.81	Yes	176,144,465	
CSR Zhuzhou Electric Locomotive Research Institute Co.,Ltd.	Zhuzhou	Ding Rongjun	Manufacturing	4,184,500,000	44517525-X	4,184,500,000	100.00	100.00	Yes	—	
CSR Yangtze Rolling Stock Co., Ltd.	Wuhan	Zhang Zuo	Manufacturing	2,383,868,800	79241662-8	2,383,868,800	100.00	100.00	Yes	—	Note1
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	Changzhou	Wang Qi	Manufacturing	1,560,000,000	13716805-8	1,560,000,000	100.00	100.00	Yes	—	
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	Nanjing	Liu Daihua	Manufacturing	1,759,840,000	66376465-0	1,759,840,000	100.00	100.00	Yes	—	
CSR Qishuyan Locomotive Co., Ltd.	Changzhou	Wang Hongnian	Manufacturing	1,092,742,757	66381821-7	1,092,742,757	100.00	100.00	Yes	—	
CSR Ziyang Locomotive Co., Ltd.	Ziyang	Luo Yanming	Manufacturing	834,225,725	78669305-5	834,225,725	99.61	99.61	Yes	3,206,679	
CSR Zhuzhou Electric Co., Ltd.	Zhuzhou	Hu Yang	Manufacturing	948,180,000	76071871-X	948,180,000	100.00	100.00	Yes	—	Note2
CSR Erqi Co., Ltd.	Beijing	Shi Shuozhi	Manufacturing	381,873,228	66370355-9	381,873,228	100.00	100.00	Yes	—	
CSR Luoyang Locomotive Co., Ltd.	Luoyang	Wang Gongcheng	Manufacturing	508,956,400	66466874-0	508,956,400	100.00	100.00	Yes	—	Note3
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	Chengdu	Zhao Xiaoqian	Manufacturing	422,771,941	66302692-2	422,771,941	100.00	100.00	Yes	—	
CSR Investment Leasing Co., Ltd.	Beijing	Wang Shishan	Leasing & trading	2,300,000,000	71092478-5	2,300,000,000	100.00	100.00	Yes	—	Note 4
CSR Meishan Co., Ltd.	Meishan	Meng Weixin	Manufacturing	337,848,600	66278753-5	337,848,600	100.00	100.00	Yes	—	
CSR Sifang Rolling Stock Co., Ltd.	Qingdao	Xia Chunsheng	Manufacturing	293,095,500	16357624-X	293,095,500	100.00	100.00	Yes	—	
CSR Shijiazhuang Rolling Stock Co., Ltd.	Shijiazhuang	Zhao Weizong	Manufacturing	204,621,800	66369205-2	204,621,800	100.00	100.00	Yes	—	
CSR (Hong Kong) Company Limited	Hong Kong	Guo Bingqiang	Trading	HKD400,000,000	Not Applicable	HKD400,000,000	100.00	100.00	Yes	—	
CSR Finance Co., Ltd.	Beijing	Xu Weifeng	Finance	1,000,000,000	05928400-1	1,000,000,000	91.00	91.00	Yes	101,157,607	
CSR (Australia) Company Limited	Australia	Ma Ying	Trading	AUD1,000,000	Not Applicable	6,709,600	100.00	100.00	Yes	—	
CSR International Equipment Engineering Co., Ltd.	Beijing	Shen Jiajun	Trading	600,000,000	06963245-2	600,000,000	100.00	100.00	Yes	—	
Times Electric	Zhuzhou	Ding Rongjun	Manufacturing	1,175,476,637	78085086-5	1,175,476,637	51.94	51.94	Yes	5,021,170,967	
Times New Material	Zhuzhou	Zeng Hongping	Manufacturing	661,422,092	71210652-4	661,422,092	27.38	41.28	Yes	2,193,721,772	Note5

Note 1: During the current period, the Company injected RMB11,000,000 to CSR Yangtze Rolling Stock Co., Ltd whose share capital increased to RMB2,383,868,800 after this injection. The registration formalities have already been completed on 3 March 2014.

Note 2: During the current period, the Company injected RMB100,000,000 to CSR Zhuzhou Electric Co., Ltd. whose share capital increased to RMB948,180,000 after this injection. The registration formalities are in the process.

Note 3: During the current period, the Company injected RMB61,480,000 to CSR Luoyang Locomotive Co., Ltd. whose share capital increased to RMB508,956,400 after this injection. The registration formalities have already been completed on 8 October 2014.

Note 4: During the current period, the Company injected RMB1,000,000,000 to CSR Investment Leasing Co., Ltd. whose share capital increased to RMB2,300,000,000 after this injection. The registration formalities have already been completed on 24 July 2014.

Note 5: The Group held 27.38% of shareholding ratio of Times New Material, while the CSR group held 13.9% of shareholding ratio. The CSR Group has authorised its proposal and voting rights in the shareholder meeting to the Group, thus the Group held 41.28% of the voting.

The Group which is the largest shareholder holds less than 50% shareholding ratio of Times New Material and the remaining shares are individually controlled with small amount by non- controlling shareholders. The rest is distributed to the individual investors with small amount. Meanwhile, the Group holds more than half of the voting right among the board of directors. Therefore, the Group obtained the actual control over Times New Material.

2. Related information of significant non-wholly owned subsidiaries

Name of subsidiaries	Shareholding proportion for non-controlling interest	Voting right proportion for non-controlling interest	Profit or loss attribute to non-controlling interest	Dividends paid to minority shareholders	Non-controlling interests
	%	%	*RMB*	*RMB*	*RMB*
Times Electric	48.06	48.06	921,497,183	198,791,302	5,021,170,967
Times New Material	72.62	58.72	74,933,429	28,822,515	2,193,721,772

3. Financial information of significant now-wholly owned subsidiaries

Times Electric

	31 October 2014
	RMB
Current assets	13,506,475,820
Non-current assets	3,255,438,890
Total assets	16,761,914,710
Current liabilities	5,545,684,628
Non-current liabilities	517,876,662
Total liabilities	6,063,561,290

	For the period from 1 January 2014 to 31 October 2014 *RMB*
Total operation income	10,006,181,009
Operating profit and total comprehensive income	1,913,060,013
Cash flows from operating activities	691,225,765

Times New Material

	31 October 2014 *RMB*
Current assets	6,506,739,128
Non-current assets	4,353,480,220
Total assets	10,860,219,348
Current liabilities	4,446,501,319
Non-current liabilities	3,330,636,568
Total liabilities	7,777,137,887

	For the period from 1 January 2014 to 31 October 2014 *RMB*
Total operating income	4,664,110,402
Operating profit	99,275,075
Total comprehensive income	88,111,227
Cash flows from operating activities	(298,381,396)

4. The accounting treatment of business combinations not under common control during the current period

The group acquired subsidiaries that not under common control during the current period included Zhejiang CSR Electric Vehicle Co., Ltd (Zhejiang CSR) and Germany BOGE (defined in 4.(2)).

(1) Zhejiang CSR Electric Vehicle Co., Ltd (Zhejiang CSR)

1 September 2014, CSR Zhuzhou Electric Locomotive Co., Ltd. and Zhu Fenglin and Hongxun Investment Co., Ltd. jointly signed up Equity Transfer Agreement. CSR Zhuzhou Electric Locomotive Co., Ltd. has paid cash (amount RMB15,300,000) to purchase 51% shares of CSR Zhejiang (previously named Ningbo Jijiang Automotive Manufacturing Co., Ltd). After the completion of the transaction, the Group has control of CSR Zhejiang. Therefore, the Group has included CSR Zhejiang as in the scope of consolidation.

Type of subsidiaries	Place of incorporation	Nature of business	Business scope
Limited Liability Company	Ningbo	Manufacturing	The production of passenger car and van tuck, the research and development, manufacturing, system integration and services of intelligent transport system, computer software and products.

The fair value of recognised net assets have been evaluated by Zhongshuizhiyuan Assets Appraisal Co., Ltd. The fair value of non-financial assets were determined on the basis of the non-financial assets were in current usage.

After acquisition, the capital of CSR Zhuzhou Electric Locomotive Co., Ltd. and the non-controlling shareholders has increased at the same proportion, in which CSR Zhuzhou Electric Locomotive Co., Ltd. has increased the capital of RMB40,800,000.00.

	Acquisition date Book value *RMB*	**Acquisition date Fair value** *RMB*
Identifiable assets:		
Cash and bank balances	28,016,723	28,016,723
Other receivables	138,000	138,000
Inventories	1,067,662	1,067,662
Fixed assets	4,170,480	4,170,480
TOTAL ASSETS	33,392,865	33,392,865
Notes payable	(38,000,000)	(38,000,000)
Tax payable	(7,392,866)	(7,392,866)
Other payables	(85,191)	(85,191)
TOTAL LIABILITIES	(45,478,057)	(45,478,057)
NET ASSETS	(12,085,192)	(12,085,192)
Non-controlling interests		(5,921,744)
Total shareholders' equity attributable to the owner of the company		(6,163,448)
Goodwill arising on acquisition		21,463,448
Consideration of the acquisition		15,300,000

The group paid cash as the Consideration of the acquisition, the book value and fair value for the payment at the acquisition date as following:

	Book value *RMB*	**Fair value** *RMB*
Consideration of the acquisition		
Cash and cash equivalents	15,300,000	15,300,000
Total	15,300,000	15,300,000

Net cash received from the acquisition of subsidiaries:

Cash and cash equivalents held by the acquired subsidiaries	28,016,723
Less: Cash and cash equivalents paid as consideration	15,300,000
Net cash received from the acquisition of subsidiaries	12,716,723

The results of operation and cash flow of the acquiree (Zhejiang CSR) from acquisition date to the end of the period:

	For the period from 15 September 2014 to 31 October 2014 *RMB*
Operating income	—
Net profit	—
Cash flows from operating activities	(506,247)
Cash flows from investing activities	—
Cash flows from financing activities	—

(2) Germany BOGE

On 10 December 2013, Zhuzhou Times New Material Technology Co., Ltd and ZF Friedrichshafen AG signed "Master Acquisition Contract" Zhuzhou Times New Material Technology Co., Ltd acquired 100% equity interest of ZF Friedrichshafen AG at cash consideration of Euro244,700,000 (equivalently to RMB1,981,713,173). Zhuzhou Times New Material Technology Co., Ltd controlled ZF FRIEDRICHSHAFEN AG on 1 September 2014.

There is no active market for net identifiable assets of BOGE, in order to confirm its fair value, the Group engaged the independent appraisers KPMG Business Consultancy (China) Co., Ltd. and KPMG (Germany) Co., Ltd., to perform the fair value assessment. Upon the financial report was issued to external parties on 20 January 2015, the assessment had not finished yet. The fair value of the net identifiable assets of Germany BOGE was presented under the provisional assessment results of the KPMG Business Consulting (China) Co., Ltd. and it would be adjusted pursuant to the final assessment results. The Group confirmed the following financial information of the Germany BOGE's identifiable assets and liabilities in the consolidated financial statements on 31 October 2014:

	Acquisition date Book value *RMB*	**Acquisition date Fair value** *RMB* (Provisional)
Net identifiable assets:		
Cash and bank balances	193,804,919	193,804,919
Financial assets at fair value through profit or loss	19,925,671	19,925,671
Trade receivables	449,506,847	449,506,847
Other receivables	68,503,709	68,503,709
Advances to suppliers	696,112	696,112
Inventories	508,244,646	509,620,931
Other current assets	20,122,316	20,122,316
Fixed assets	804,659,454	1,241,856,942
Construction in progress	107,403,489	107,403,489

	Acquisition date Book value *RMB*	Acquisition date Fair value *RMB* (Provisional)
Intangible assets	69,481,973	391,753,457
Long-term receivable	94,485,722	94,485,722
Deferred tax assets	92,472,910	92,472,910
Sub-total	2,429,307,768	3,190,153,025
Net identifiable liabilities:		
Short-term borrowings	(24,287,400)	(24,287,400)
Accounts payable	(459,859,402)	(459,859,402)
Advances from customers	(8,794)	(8,794)
Employee benefits payable	(92,356,512)	(92,356,512)
Tax payable	(31,012,621)	(31,012,621)
Other payables	(154,478,066)	(154,478,066)
Other current liabilities	(119,218,658)	(119,218,658)
Long-term payables	(62,752,570)	(62,752,570)
Deferred tax liabilities	(2,519,486)	(59,548,889)
Other non-current liabilities	(724,049,703)	(724,049,703)
Provisions	(78,170,218)	(78,170,218)
Sub-total	(1,748,713,430)	(1,805,742,833)
Non-controlling interests	—	—
Interests to company's shareholders	680,594,338	1,384,410,192
Goodwill from acquisition		597,302,981
Consideration		1,981,713,173

The Group paid cash as the consideration of the acquisition, the book value and fair value for the payment at the acquisition date as following

	Book value *RMB*	Fair value *RMB*
Consideration of the acquisition		
Cash and cash equivalents	1,981,713,173	1,981,713,173
Total	1,981,713,173	1,981,713,173

	Fair value *RMB*
Consideration of the acquisition	1,981,713,173
Less: Cash and cash equivalents of the acquired business	193,804,919
Net cash paid for the acquisition of business	1,787,908,254

The results of operation and cash flow of the acquiree (Germany BOGE) from acquisition date to the end of period:

	For the period from 1 September 2014 to 31 October 2014 *RMB*
Operating income	952,525,265
Net profit	(27,200,900)
Cash flows from operating activities	(114,564,519)
Cash flows from investing activities	(77,128,297)
Cash flows from financing activities	—

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	31 October 2014		
	Foreign currency	Exchange rate	RMB
Cash			
United States Dollar	275,129	6.1461	1,690,970
RMB	1,210,106	1.0000	1,210,106
Euro	12,739	7.7377	98,571
Japanese Yen	216,032	0.0562	12,141
			3,011,788
Bank deposit			
RMB	14,827,215,001	1.0000	14,827,215,001
United States Dollar	307,702,915	6.1461	1,891,172,886
South African Rand	2,764,607,645	0.5542	1,532,145,557
Euro	96,669,265	7.7377	747,997,772
Hong Kong Dollar	193,022,294	0.7925	152,970,168
Malaysia's Ringgit	61,280,320	1.8638	114,214,260
Australian Dollar	4,469,085	5.4160	24,204,564
Japanese Yen	268,988,523	0.0562	15,117,155
Singapore dollar	1,714,441	4.8057	8,239,089
Brazil Real	1,071,030	2.5089	2,687,107
Great British Pound	77,337	9.8202	759,465
Bangladeshi Taka	9,244,513	0.0791	731,241
Swiss Franc	55,609	6.3881	355,236
Canadian Dollar	2	5.4886	11
			19,317,809,512
Other Cash and bank balances			
RMB	1,915,115,579	1.0000	1,915,115,579
United States Dollar	14,188,471	6.1461	87,203,762
Euro	1,231,212	7.7377	9,526,749
Malaysia's Ringgit	4,500	1.8638	8,387
			2,011,854,477
			21,332,675,777

	31 October 2014 *RMB*
Monetary funds with restrictions:	
For the group's Bank loan mortgage/pledge	1,106,400,000
Bank acceptance deposits	1,489,265,283
Credit note deposits	30,417,128
The guarantee deposit	343,030,334
Reserve deposits of Financial Company that are held in the central bank	537,067,537
Others	149,141,732
	3,655,322,014

	31 October 2014 *RMB*
Non-pledged time deposits with original maturity of three months or more when acquired	1,920,014,759

As at 31 October 2014, the group's deposit in overseas banks was RMB2,867,682,519.

2. Financial assets at fair value through profit or loss

	31 October 2014 *RMB*
Held-for-trading investments in equity instruments *(Note 1)*	10,128,405
Derivative financial assets *(Note 2)*	901,347
	11,029,752

Note 1: The group has invested the shares of Metallurgical Corporation of China Ltd.

Note 2: The group has entered into forward exchange contract and the forward exchange contract is measured at fair value.

Management of the group believe that there is no significant restriction for liquidation in using fair value to measure the current period profit and loss.

3. Notes receivable

	31 October 2014
	RMB
Commercial bills	2,338,621,200
Bank guaranteed bills	2,315,624,412
Total	4,654,245,612

As at 31 October 2014, five pledged notes receivable with largest amounts were as follows:

Name of drawer	**Billing date**	**Maturity date**	**Amount**
			RMB
Company 1	30/06/2014	27/12/2014	12,000,000
Company 2	25/07/2014	23/01/2015	10,000,000
Company 3	25/07/2014	23/01/2015	10,000,000
Company 4	25/07/2014	23/01/2015	10,000,000
Company 5	31/05/2014	27/11/2014	10,000,000
			52,000,000

As at 31 October 2014, five notes receivable endorsed to other parties but undue with largest amounts were as follows:

Name of drawer	**Billing date**	**Maturity date**	**Amount**
			RMB
Company 1	01/07/2014	01/01/2015	354,331,199
Company 2	19/06/2014	19/12/2014	50,000,000
Company 3	31/07/2014	30/01/2015	46,598,987
Company 4	31/07/2014	30/01/2015	45,920,845
Company 5	31/07/2014	30/01/2015	45,487,539
			542,338,570

As at 31 October 2014, the carrying amounts of notes receivable that have been endorsed derecognition but not expired yet are RMB5,056,896,285, the Group stop to recognise the full amount of the discounted bills prior to their maturity, which amounted to RMB691,483,883, and recognise the amount received from banks on discounting of bills amounted to RMB20,065,698 as discount charge.

As at 31 October 2014, the balance in this account holding 5% or more of the voting shares of the Company and related parties, whose details are given in Note (VII), related party relationships and transactions.

As at 31 October 2014, the carrying amount of the notes receivable which have been pledged as collateral for bank loan is RMB71,477,553.

4. Trade receivables

The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate. However, in the opinion of the directors, the Group has effectively granted an average credit period of around three to six months to customers after taking into account the practice of the industry in which the Group conducted its business. The Group seeks to maintain strict control over its outstanding receivables and to closely monitor them to minimize credit risk. Overdue balances are reviewed regularly by senior management. The trade receivables bears no interest.

The group and subsidiaries will measure the largest five amount of trade receivables and any individual trade receivables that account for 10% or more of the total amount as significant amount of trade receivables.

The aging analysis of trade receivables is as follows:

	31 October 2014 *RMB*
Within 1 year	34,830,787,538
More than 1 year but not exceeding 2 years	2,653,707,857
More than 2 years but not exceeding 3 years	1,030,629,551
More than 3 years	308,046,160
Total	38,823,171,106
Less: impairment losses on trade receivables	(1,387,338,924)
	37,435,832,182

The changes in provision for bad debt for trade receivables are as following:

	During the current period from 1 January 2014 to 31 October 2014 *RMB*
At 1 January 2014	766,133,006
Additions	648,796,657
Amounts recovered *(Note)*	(26,726,174)
Written-off	(397,219)
Transfer out	(462,868)
Translation of financial statement in foreign currency	(4,478)
At 31 October 2014	1,387,338,924

Note: Mainly for the group due to the collection of long aging period trade receivables and reversal of provision for bad debts.

	31 October 2014			
	Book value		Bad debt provision	Carrying
	Amount	Proportion	amount	Proportion
	RMB	*(%)*	*RMB*	*(%)*
Trade receivables that are individually significant and for which provision for bad debts has been assessed individually	650,560,566	1.7	337,367,577	51.9
Trade receivables for which provision for bad debts has been assessed by portfolio	34,465,707,670	88.7	—	—
More than 1 year but not exceeding 2 years	2,523,908,793	6.4	378,586,319	15.0
More than 2 years but not exceeding 3 years	916,700,775	2.4	458,350,387	50.0
More than 3 years	266,293,302	0.8	213,034,641	80.0
	38,823,171,106	100	1,387,338,924	

Trade receivables that are individually significant and for which bad debt provision has been assessed individually.

	31 October 2014		
	Book value	Bad debt provision	Proportion
	RMB	*RMB*	*(%)*
Within 1 year	365,079,868	93,394,234	25.6
More than 1 year but not exceeding 2 years	129,799,064	106,175,635	81.8
More than 2 years but not exceeding 3 year	113,928,776	97,067,317	85.2
More than 3 years	41,752,858	40,730,391	97.6
	650,560,566	337,367,577	51.9

For the period from 1 January 2014 to 31 October trade receivables actually written off as following:

	Nature of account receivable	Amount written off *RMB*	Reason for written off	Whether arising related party transaction
Company 1	Sales revenue	30,900	Unrecoverable	No
Company 2	Sales revenue	366,319	Unrecoverable	No
Total		397,219		

As at 31 October 2014, top five entities with the largest balances of trade receivables:

	Relationship with the Group	Amount *RMB*	Aging	Percentage of the total account receivable *(%)*
Customer 1	Third party	18,483,658,459	within 1 year	47.6
Customer 2	Third party	785,656,610	within 1 year	2.0
Customer 3	Third party	595,216,957	within 1 year	1.5
Customer 4	Third party	345,597,841	within 1 year	0.9
Customer 5	Third party	143,471,600	within 1 year	0.4
		20,353,601,467		52.4

Note: In the statistical trade receivables amount of the top five, China Railway Corporation and Subsidiaries would be classified as one customer.

For the period from 1 January 2014 to 31 October 2014 there is no trade receivables that resulting from derecognition of financial assets.

Trade receivables denominated in foreign currency as following:

	31 October 2014		
	Foreign currency	**Exchange rate**	**RMB**
Euro	122,197,119	7.7377	945,524,648
United States Dollar	121,517,500	6.1461	746,858,707
Hong Kong Dollar	312,825,198	0.7925	247,913,969
Australian Dollar	5,220,053	5.4160	28,271,807
Brazil Real	7,967,870	2.5089	19,990,589
Swiss Franc	1,706,549	6.3881	10,901,606
Great British Pound	711,419	9.8202	6,986,277
Singapore dollar	720,470	4.8057	3,462,363
Japanese Yen	51,813,256	0.0562	2,911,905
			2,012,821,871

At the end of the reporting period, the detail information of arrears which belongs to shareholders and related parties holding 5% or more voting shares of the company in the account is disclosed in Note VII, related party relationships and transactions.

As at 31 October 2014, the carrying amount of trade receivables which have been pledged as collateral for bank loan is RMB5,000,000.

5. Advances to suppliers

The aging analysis of advances to suppliers is as follows:

	31 October 2014	
	Amount	**Proportion**
	RMB	*(%)*
Within 1 year	4,799,539,828	93.4
More than 1 year but not exceeding 2 years	320,731,305	6.3
More than 2 years but not exceeding 3 years	10,184,535	0.2
More than 3 years	7,972,439	0.1
	5,138,428,107	100.0

As at 31 October 2014, top five entities with the largest balances of prepayments:

	Relationship with the Group	**Amount** *RMB*	**Date of prepayment**	**Reason for unclear**
Company 1	Third party	939,466,616	Within 1 year	Goods not received
Company 2	Third party	654,988,800	Within 1 year	Goods not received
Company 3	Third party	444,223,652	Within 1 year	Goods not received
Company 4	Third party	261,861,709	Within 1 year	Goods not received
Company 5	Third party	170,970,344	Within 1 year	Goods not received
		2,471,511,121		

At the end of the reporting period, there was no trade receivables due to shareholders holding 5% or more voting shares of the Company.

6. Dividends receivable

	Opening balance	Increase during the period	Decrease during the period	Closing balance	Bad debt provision	Book value at the end of period
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Shijiazhuang Guoxiang Precision Machinery Co., Ltd.	20,998,007	—	—	20,998,007	(16,798,406)	4,199,601
Guangzhou Sifang Rail Traffic Equipment Co Ltd	942,372	—	—	942,372	—	942,372
	21,940,379	—	—	21,940,379	(16,798,406)	5,141,973
Including: Within 1 year	942,372			942,372	—	942,372
In more than 1 year	20,998,007			20,998,007	(16,798,406)	4,199,601

Bad debt provision changes for dividends receivable as following:

	For the period from 1 January 2014 to 31 October 2014
	RMB
At 1 January 2014	11,249,004
Additions	5,549,402
At 31 October 2014	16,798,406

7. Other receivables

The aging analysis of other receivables is as follows:

	31 October 2014
	RMB
Within 1 year	2,001,147,118
More than 1 year but not exceeding 2 years	131,584,791
More than 2 years but not exceeding 3 years	51,765,468
More than 3 years	99,578,946
	2,284,076,323
Less: Bad debts provision of other receivable	(138,670,416)
	2,145,405,907

Changes in the bad debt provision for other receivables are as follows:

	For the period from 1 January 2014 to 31 October 2014
	RMB
At 1 January 2014	140,640,159
Additions	20,965,218
Reversals	(22,761,762)
Written off	(173,199)
At 31 October 2014	138,670,416

	31 October 2014			
	Book value		Bad debt provision	
	Amount	Proportion	Amount	Proportion
	RMB	*(%)*	*RMB*	*(%)*
Individually significant receivables	131,330,923	5.8	74,917,693	57.0
Within 1 year	1,950,527,735	85.4	—	—
More than 1year but not exceeding 2 years	128,500,598	5.6	19,276,650	15.0
More than 2 years but not exceeding 3 years	48,325,272	2.1	24,162,636	50.0
More than 3 years	25,391,795	1.1	20,313,437	80.0
	2,284,076,323	100.0	138,670,416	

Other receivables that are individually significant and for which bad debt provision has been assessed individually:

	31 October 2014		
	Book value	Bad debt provision	Proportion
	RMB	*RMB*	*(%)*
Within 1 year	50,619,383	—	—
More than 1year but not exceeding 2 years	3,084,193	643,441	20.9
More than 2 years but not exceeding 3 years	3,440,196	1,511,792	43.9
More than 3 years	74,187,151	72,762,460	98.1
	131,330,923	74,917,693	57.0

For the period from 1 January 2014 to 31 October,other receivables were actually written off as following:

	Written off amount *RMB*	Reason	Whether arising from related party transaction
Company 1	173,199	Unrecoverable	No

As at 31 October 2014, Top five entities with the largest balances of other receivables:

	Relationship with the Company	Amount *RMB*	Aging	Proportion *(%)*
Company 1	Third party	354,790,000	Within 1 year, More than 1 year but not exceed 2 years	14.6
Company 2	Third party	85,238,862	More than 1 year but not exceed 3 years, More than 3 years	3.6
Company 3	Third party	49,733,520	within 1 year	2.2
Company 4	Third party	40,215,000	within 1 year	1.8
Company 5	Third party	36,483,990	within 1 year	1.6
		566,461,372		23.8

Other receivable denominated in foreign currency as following:

	31 October 2014		
	Foreign currency	Exchange rate	RMB
Euro	5,648,039	7.7377	43,702,831
Hong Kong Dollar	16,203,948	0.7925	12,841,629
Canadian Dollar	897,087	5.4886	4,923,752
United States Dollar	305,917	6.1461	1,880,196
Malaysia's Ringgit	689,937	1.8638	1,285,905
Australian Dollar	73,478	5.4160	397,957
South African Rand	680,870	0.5542	377,338
Turkey Lirasl	23,354	2.7557	64,357
			65,473,965

As at 31 October 2014, the balance in this account holding 5% or more of the voting shares of the Company and related parties, whose details are given in Note (VII), related party relationships and transactions.

As at 31 October 2014, other receivable from government grants as following:

	Grant project	Amount RMB	Aging	Expected collect time	Evidence
Zhuzhou Bureau of Finance Local Financial Department	Electric vehicle energy conservation subsidies	354,790,000	within in 1 year, more than 1 year but not exceeding 2 years	2014 354,790,000	Notice on carrying out energy-saving and new energy vehicle demonstration pilot work Financial construction (2009) 6
Tianjin Beichen District Municipal People's Government	Tianjin industrial park project	5,000,000	within in 1 year	2014 5,000,000	CSR Tianjin Industrial Park Project funds support and use agreement
		359,790,000			

8. Inventories

	31 October 2014		
	Book balance	Provision for decline in value	Book value
	RMB	*RMB*	*RMB*
Raw materials	10,094,090,901	(435,816,706)	9,658,274,195
Work-in-progress	15,011,548,168	(294,330,854)	14,717,217,314
Finished goods	6,671,619,793	(215,376,341)	6,456,243,452
Consigned processing materials	107,740,954	(1,034,535)	106,706,419
Turnover materials	193,263,093	(4,099,615)	189,163,478
	32,078,262,909	(950,658,051)	31,127,604,858

Movement of provision for decline in value of inventories:

	Increase during the current period			Decrease during the current period		
	At 1 January 2014	Additions	Translation reserve	Reversals	Written off	At 31 October 2014
	RMB	*RMB*	*RMB*	*RMB* *(Note 1)*	*RMB* (Note 2)	*RMB*
Raw materials	331,049,706	117,132,966	2,047,225	(474,343)	(13,938,848)	435,816,706
Work-in-progress	156,630,833	181,538,316	1,258,461	(4,018,909)	(41,077,847)	294,330,854
Finished goods	146,695,825	88,066,667	494,934	(640,734)	(19,240,351)	215,376,341
Consigned processing materials	7,080,767	488,540	—	(6,549,598)	14,826	1,034,535
Turnover materials	3,586,049	994,556	—	(330,277)	(150,713)	4,099,615
	645,043,180	388,221,045	3,800,620	(12,013,861)	(74,392,933)	950,658,051

Note 1: The reversal of provision for decline in value of inventories, mainly refer to when the additions of provision for decline in value of inventories recover the value, the recovered value recorded in the corresponding of inventory impairment.

Note 2: The written off of provision for decline in value of inventories, mainly refer to when the additions of provision for decline in value of inventories is sold or consumed, the sold or consumed part recorded in the provision for decline in value of inventories to cost of sales or production costs.

As at the end of the period, there is no capitalised borrowing costs in the closing balance of inventory.

As at 31 October 2014, there is no inventory that have been pledged as collateral for obtaining bank loan.

9. Held-for-trading financial assets

	31 October 2014 *RMB*
Bank financial products	555,300,000
Unlisted equity investment instruments	128,913,765
Listed equity investment instruments	898,634,825
Total	1,582,848,590
Including:	
Held-for-trading financial assets due within one year	555,300,000
Held-for-trading financial assets due more than one year	1,027,548,590

As at 31 October 2014, the book value of unlisted equity investment instruments that the Group held is RMB128,913,765, and the instruments are not quoted in the active market, so the fair value measurement is not reliable and reasonable. Therefore, the value is measured with cost method.

Held-for-trading financial assets:

Classification of held-for-trading financial assets	Bank financial products	Unlisted equity investment instruments	Listed equity investment instruments	Total
	RMB	*RMB*	*RMB*	*RMB*
Equity cost/amortized cost of the bank financial products	555,300,000	129,133,765	644,530,791	1,328,964,556
Fair value at the end of period	555,300,000	Not Applicable	898,634,825	1,453,934,825
Accumulated amount of changes in fair value that included in other comprehensive income	—	—	254,104,034	254,104,034
Provision for impairment	—	220,000	—	220,000

Classification of held-for-trading financial assets	Bank financial products	Unlisted equity investment instruments	Listed equity investment instruments	Total
	RMB	*RMB*	*RMB*	*RMB*
Opening balance of provision	—	220,000	—	220,000
Additions	—	—	—	—
Including: Reversals of OCI	—	—	—	—
Reduction	—	—	—	—
Including: Increase in fair value after the end of period	—	—	—	—
The influence of exchange rate changes	—	—	—	—
Closing balance of provision	—	220,000	—	220,000

10. Other current assets

	As at 31 October 2014 *RMB*
Tax to be deducted	1,246,004,183
Others	22,221,668
	1,268,225,851

11. Long-term receivables

	31 October 2014		
	Book balance *RMB*	**Provision for bad debts** *RMB*	**Book value** *RMB*
Finance lease receivables	4,997,747,765	(30,440,856)	4,967,306,909
Sale of goods by instalment	786,066,276	(30,770,963)	755,295,313
Total	5,783,814,041	(61,211,819)	5,722,602,222
Including: Long-term receivables due within one year			1,253,573,435
Long-term receivables due after one year			4,469,028,787

The finance lease receivables are presented as follows:

		Minimum lease receipts 31 October 2014 *RMB*
1st year subsequent to the balance sheet date		1,394,028,126
2nd year subsequent to the balance sheet date		1,155,480,008
3rd year subsequent to the balance sheet date		1,191,196,606
Subsequent periods		2,174,376,626
Aggregate minimum lease receipts		5,915,081,366
Less: Unearned finance income		(947,774,457)
Finance lease receivables		4,967,306,909
Including:	Finance lease receivables due within one year	1,125,608,815
	Finance lease receivables due after one year	3,841,698,094

During the period from 1 January 2014 to 31 October 2014, the movement of provision for long-term receivable is as following:

At 1 January 2014	44,720,909
Additions	30,545,473
Other reversals	462,868
Written down	(14,517,431)
At 31 October 2014	61,211,819

12. Long-term equity investments

(1) Details of long-term equity investments are as follows

	31 October 2014
	RMB
Using the equity method	3,160,999,422
— Joint venture	2,167,280,089
— Associate	993,719,333
Less: Provision for long-term equity investments	—
	3,160,999,422

(2) Joint venture investment details of the group as following

Name of investee	Accounting method	Initial investment cost	1 January 2014	Movement	31 October 2014	Percentage of shareholding in the investee	Percentage of voting right in the investee	Difference between shareholding and voting right	Impairment Provision	At 31 October 2014	Cash bonuses
		RMB	*RMB*	*RMB*	*RMB*	%	%	*RMB*	*RMB*	*RMB*	
Bombardier Sifang (Qingdao) Transportation Ltd.	Equity	134,348,482	1,490,387,511	8,703,203	1,499,090,714	50	50	NOT APPLICABLE	—	1,499,090,714	200,000,000
Zhuzhou Shiling Traffic Equipment Co., Ltd	Equity	44,338,043	170,522,720	20,705,947	191,228,667	50	50	NOT APPLICABLE	—	191,228,667	—
Siemens Traction Equipment Ltd. Zhuzhou	Equity	29,850,733	75,747,021	2,330,682	78,077,703	50	50	NOT APPLICABLE	—	78,077,703	—
CSR Zhuzhou Times High-tech Investment and Guarantee Ltd.	Equity	50,000,000	70,864,923	4,238,688	75,103,611	50	50	NOT APPLICABLE	—	75,103,611	—
CSR MNG Rail Transit Vehicle Industry and Trade Co., Ltd. ("CSR MNG")	Equity	198,111,840	198,111,840	(18,172,176)	179,939,664	60	50	Note 1	—	179,939,664	—
Others	Equity	88,568,940	105,589,674	38,250,056	143,839,730				—	143,839,730	—
Total			2,111,223,689	56,056,400	2,167,280,089				—	2,167,280,089	200,000,000

Note 1: The subsidiary of the Group, CSR Zhuzhou Electric Locomotive Co., Ltd., has jointly set up CSR MNG in Turkey along with France MAPA. As at 31 October 2014, the registered capital and paid-in capital of CSR MNG is 108,400,000 Turkey Lirasl, in which the Group holds 60% shares and MAPA holds 40% shares. According to the Articles of CSR MNG, the significant decision should be made after mutual agreement of both the Group and MAPA. Thus, Group cannot control the company, rather than joint control with other shareholders, which should be accounted under equity method.

(3) Associate investment details of the group as following

Name of investee	Accounting method	Initial investment cost	1 January 2014	Movement	31 October 2014	Percentage of shareholding in the investee	Percentage of voting right in the investee	Difference between shareholding and voting right	Impairment Provision	At 31 October 2014	Cash bonuses
		RMB	*RMB*	*RMB*	*RMB*	%	%	*RMB*	*RMB*	*RMB*	
CSR Guangzhou Electric Locomotive Co., Ltd	Equity	200,000,000	397,093,584	(1,230,471)	395,863,113	40	40	NOT APPLICABLE	—	395,863,113	—
Guiyang Vontron Technology Co., Ltd	Equity	9,680,012	102,358,600	27,311,807	129,670,407	37	37	NOT APPLICABLE	—	129,670,407	—
Changzhou Huanghai Automobile Co., Ltd.	Equity	126,580,000	101,186,291	(36,920,446)	64,265,845	34	34	NOT APPLICABLE	—	64,265,845	—
Huaneng Tieling Wind Power Co., Ltd.	Equity	38,880,750	41,271,799	601,775	41,873,574	25	25	NOT APPLICABLE	—	41,873,574	483,016
Huaneng Panjin Wind Power Co., Ltd.	Equity	80,943,620	78,483,902	254,179	78,738,081	47	47	NOT APPLICABLE	—	78,738,081	—
Huaneng Tieling Daxing Wind Power Co. Ltd.	Equity	40,993,120	41,539,952	2,547,404	44,087,356	25	25	NOT APPLICABLE	—	44,087,356	—
Others	Equity	94,575,938	80,458,471	158,762,486	239,220,957			—	—	239,220,957	—
Total			842,392,599	151,326,734	993,719,333				—	993,719,333	483,016

13. A list of joint ventures and associates and their key financial information

As at 31 October 2014

Name of investee	Country of incorporation	Nature of business	Registered capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net Assets	Operating Income	Operating profit and Comprehensive income	Proportion	Net assets proportion according to proportion of shareholding	(Note)	Book Value
			RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	(%)	RMB	RMB	RMB
Joint venture														
Bombardier Sifang (Qingdao) Transportation Ltd.	Qingdao	Manufacturing	USD84, 120,000	10,621,040,477	1,310,308,797	7,754,361,689	1,178,806,158	2,998,181,427	1,453,327,443	417,406,405	50	1,499,090,714	—	1,499,090,714
Zhuzhou Shiling Traffic Equipment Co., Ltd	Zhuzhou	Manufacturing	USD14,000,000	674,781,646	52,316,683	200,047,070	78,173,287	448,877,972	1,170,369,437	107,832,531	50	224,438,986	(33,210,319)	191,228,667
CSR Zhuzhou Times High-tech Investment and Guarantee Ltd.	Zhuzhou	Manufacturing	100,000,000	25,100,031	186,119,277	61,012,087	—	150,207,221	4,980,827	8,477,375	50	75,103,611	—	75,103,611
Siemens Traction Equipment Ltd. Zhuzhou	Zhuzhou	Manufacturing	128,989,000 Turkey Lirasl	772,995,685	6,836,219	371,826,951	251,849,547	156,155,406	145,790,908	4,661,364	50	78,077,703	—	78,077,703
CSR MNG	Turkey Ankara	Manufacturing	65,040,000	299,899,440	—	—	—	299,899,440	—	—	60	179,939,664	—	179,939,664
Associate CSR Guangzhou Electric Locomotive Co., Ltd	Guangzhou	Manufacturing	1,000,000,000	844,093,660	607,805,666	457,351,569	4,030,000	990,517,757	311,982,113	(2,216,204)	40	396,207,103	(343,990)	395,863,113
Guiyang Vontron Technology Co., Ltd	Guiyang	Manufacturing	26,310,000	339,033,449	162,979,735	112,884,990	38,667,635	350,460,559	208,543,676	73,815,694	37	129,670,407	—	129,670,407
Changzhou Huanghai Automobile Co., Ltd.	Changzhou	Manufacturing	350,557,500	381,189,606	416,486,792	429,565,867	151,281,500	216,829,031	121,060,878	(108,589,546)	34	64,265,845	—	64,265,845
Huaneng Tieling Wind Power Co., Ltd.	Tieling	Electricity industry	155,500,000	32,055,091	372,868,247	111,881,692	125,547,350	167,494,296	32,509,824	4,339,162	25	41,873,574	—	41,873,574
Huaneng Panjin Wind Power Co., Ltd.	Panjin	Electricity industry	172,336,120	41,250,875	407,166,292	69,649,335	211,240,000	167,527,832	38,332,083	540,807	47	78,738,081	—	78,738,081
Huaneng Tieling Daxing Wind Power Co. Ltd.	Tieling	Electricity industry	163,960,000	389,247,334	141,368,199	182,357,111	171,909,000	176,349,422	30,710,148	10,189,615	25	44,087,356	—	44,087,356

Note:

1. This fund adjusted to offset the unrealised internal profit of RMB33,210,319.

2. This fund is the second batch of share options granted to the employee of associate enterprises which expired during the current period, and the net effects on the issue costs of the third batch of share options which turning back that causes an amount of RMB343,990 reduction of investment to the associate.

14. Fixed assets

(1) Fixed assets

	1 January 2014	Increase in the period	Decrease in the period	Cumulative translation adjustments	31 October 2014
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Total cost					
Buildings	13,582,498,925	1,674,089,484	(25,879,008)	(31,458,937)	15,199,250,464
Machinery and equipment	15,390,144,307	1,962,446,713	(253,681,744)	(25,912,259)	17,072,997,017
Transportation vehicles	822,229,081	91,467,280	(42,452,637)	2,268	871,245,992
Others	1,701,662,098	405,102,583	(56,144,292)	(13,995,784)	2,036,624,605
	31,496,534,411	4,133,106,060	(378,157,681)	(71,364,712)	35,180,118,078
Total accumulated depreciation					
Buildings	(2,549,017,233)	(423,245,774)	9,065,654	—	(2,963,197,353)
Machinery and equipment	(5,865,870,078)	(1,136,074,129)	156,994,668	21,569	(6,844,927,970)
Transportation vehicles	(502,244,421)	(62,447,316)	30,569,862	(1,600)	(534,123,475)
Others	(923,070,846)	(172,510,862)	39,576,465	224,114	(1,055,781,129)
	(9,840,202,578)	(1,794,278,081)	236,206,649	244,083	(11,398,029,927)
Total net book value of fixed assets					
Buildings	11,033,481,692	1,250,843,710	(16,813,354)	(31,458,937)	12,236,053,111
Machinery and equipment	9,524,274,229	826,372,584	(96,687,076)	(25,890,690)	10,228,069,047
Transportation vehicles	319,984,660	29,019,964	(11,882,775)	668	337,122,517
Others	778,591,252	232,591,721	(16,567,827)	(13,771,670)	980,843,476
	21,656,331,833	2,338,827,979	(141,951,032)	(71,120,629)	23,782,088,151
Total impairment provision					
Buildings	(13,860,904)	—	13,691	—	(13,847,213)
Machinery and equipment	(74,994,758)	(4,405,936)	7,414,022	—	(71,986,672)
Transportation vehicles	(750,262)	—	—	—	(750,262)
Others	(4,059,894)	—	565,050	—	(3,494,844)
	(93,665,818)	(4,405,936)	7,992,763	—	(90,078,991)
Total net carrying amount of fixed assets					
Buildings	11,019,620,788	1,250,843,710	(16,799,663)	(31,458,937)	12,222,205,898
Machinery and equipment	9,449,279,471	821,966,648	(89,273,054)	(25,890,690)	10,156,082,375
Transportation vehicles	319,234,398	29,019,964	(11,882,775)	668	336,372,255
Others	774,531,358	232,591,721	(16,002,777)	(13,771,670)	977,348,632
	21,562,666,015	2,334,422,043	(133,958,269)	(71,120,629)	23,692,009,160

As at 31 October 2014, the book value of Group's fixed assets equivalent to RMB1,246,027,422 has increased because of the increase of business resulted of acquisition of subsidiaries.

As at 31 October 2014, the book value of Group's plant property and machinery equipment is equivalent to RMB23,359,629 which is regarded as the guarantee of bank loan. Except for the PPE for guarantee, there is no other PPE's right is restricted as at 31 October 2014.

As at 31 October 2014, the property right warrant of buildings are under processing, the value of which is RMB1,979,482,145. The company's management believes that they have the legal rights and authorities to possess those buildings, and the company's management believes that it will not have significant influences on the financial situation of the Group as a whole.

(2) Fixed assets leased under finance leases:

	Carry amount *RMB*	**Accumulated depreciation** *RMB*	**Net book value** *RMB*
Buildings	90,531,090	29,045,391	61,485,699
Machinery and equipment	257,996,773	43,538,457	214,458,316
Total	348,527,863	72,583,848	275,944,015

15. Construction in progress

	31 October 2014		
	Book balance	Provision for impairment	Book Value
	RMB	*RMB*	*RMB*
Engineering related to locomotive manufacturing	512,669,699	(576,000)	512,093,699
Engineering related to locomotive repairing	55,963,153	—	55,963,153
Engineering related to locomotive spare parts	284,903,996	—	284,903,996
Engineering related to passenger train manufacturing	196,960,281	—	196,960,281
Engineering related to freight wagons manufacturing	70,139,965	—	70,139,965
Engineering related to freight wagons repairing	233,313,396	—	233,313,396
Engineering related to freight wagons spare parts	23,273,112	—	23,273,112
Engineering related to EMUs manufacturing	161,721,125	—	161,721,125
Engineering related to EMUs repairing	7,467,972	—	7,467,972
Engineering related to city subway rail vehicle manufacturing	420,706,110	—	420,706,110
Engineering related to proprietary technology extension products	973,166,536	—	973,166,536
Engineering related to other business	894,618,677	—	894,618,677
	3,834,904,022	(576,000)	3,834,328,022

	1 January 2014 *RMB*	Increase during the period *RMB*	Transfer to fixed assets *RMB*	Other deduction *RMB*	Translation reserve *RMB*	31 October 2014 *RMB*
Engineering related to locomotive manufacturing	413,521,046	134,905,595	(25,441,914)	(10,354,825)	39,797	512,669,699
Engineering related to locomotive repairing	32,483,035	44,195,322	(18,612,387)	(2,102,817)	—	55,963,153
Engineering related to locomotive spare parts	328,324,241	78,171,992	(8,967,325)	(112,624,912)	—	284,903,996
Engineering related to passenger train manufacturing	195,427,221	125,480,355	(123,947,295)	—	—	196,960,281
Engineering related to freight wagons manufacturing	56,231,052	47,792,373	(33,847,540)	(35,920)	—	70,139,965
Engineering related to freight wagons repairing	234,147,483	12,728,194	(13,562,281)	—	—	233,313,396
Engineering related to freight wagons spare parts	36,331,100	44,019,966	(57,031,191)	(46,763)	—	23,273,112
Engineering related to EMUs manufacturing	115,104,327	116,666,599	(70,049,801)	—	—	161,721,125
Engineering related to EMUs repairing	—	87,959,387	(80,491,415)	—	—	7,467,972
Engineering related to city subway rail vehicle manufacturing	301,426,987	299,976,579	(179,585,666)	(1,354,082)	242,292	420,706,110
Engineering related to proprietary technology extension products	823,156,839	399,657,967	(212,220,343)	(37,427,927)	—	973,166,536
Engineering related to other business	1,102,352,097	1,095,415,498	(1,261,519,683)	(41,629,235)	—	894,618,677
	3,638,505,428	2,486,969,827	(2,085,276,841)	(205,576,481)	282,089	3,834,904,022

During the current period from 1 January 2014 to 31 October 2014, the capitalised amount of loan interests is RMB42,859,858, the capitalisation rate used to determine the amount of loan interest is 4.20%-6.90%.

As at 31 October 2014

	Construction progress	**Interest capitalization for the period** *RMB*	**Interest capitalisation rate for the period**
Total amount of engineering related to locomotive manufacturing	non-completion	8,176,059	4.20%-6.22%
Total amount of engineering related to city subway rail vehicle manufacturing	non-completion	1,726,081	6.27%-6.90%
Total amount of engineering related to other business	non-completion	32,957,718	4.20%-6.22%
		42,859,858	

For the period from 1 January to 31 October 2014 there is no movement in the provision for impairment in construction in progress.

16. Intangible assets

	1 January 2014	Additions	Written off	Translation reserve	31 October 2014
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Cost					
Land use rights	5,027,736,380	206,023,769	(12,028,124)	453,161	5,222,185,186
Proprietary technology and industrial property rights	862,949,711	45,717,990	(1,802,900)	(754,113)	906,110,688
Software license	643,152,927	189,172,591	(4,709,516)	(2,563,046)	825,052,956
Customer relations	—	251,783,884	—	(9,446,303)	242,337,581
Unfinished orders and technical service preferential contract	—	51,397,473	—	(1,928,305)	49,469,168
	6,533,839,018	744,095,707	(18,540,540)	(14,238,606)	7,245,155,579
Accumulated amortisation					
Land use rights	(507,143,745)	(88,012,012)	1,517,052	(8,497)	(593,647,202)
Proprietary technology and industrial property rights	(374,362,527)	(41,847,644)	1,802,900	1,098	(414,406,173)
Software license	(306,701,652)	(91,332,787)	2,805,575	—	(395,228,864)
Customer relations	—	(7,151,906)	—	—	(7,151,906)
Unfinished orders and technical service preferential contract	—	(1,459,942)	—	—	(1,459,942)
	(1,188,207,924)	(229,804,291)	6,125,527	(7,399)	(1,411,894,087)

	1 January 2014	Additions	Written off	Translation reserve	31 October 2014
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Book balance					
Land use rights	4,520,592,635	118,011,757	(10,511,072)	444,664	4,628,537,984
Proprietary technology and industrial property rights	488,587,184	3,870,346	—	(753,015)	491,704,515
Software license	336,451,275	97,839,804	(1,903,941)	(2,563,046)	429,824,092
Customer relations	—	244,631,978	—	(9,446,303)	235,185,675
Unfinished orders and technical service preferential contract	—	49,937,531	—	(1,928,305)	48,009,226
	5,345,631,094	514,291,416	(12,415,013)	(14,246,005)	5,833,261,492
Provision for impairment					
Proprietary technology and industrial property rights	(144,330,957)	—	—	—	(144,330,957)
	(144,330,957)	—	—	—	(144,330,957)
Book value					
Land use rights	4,520,592,635	118,011,757	(10,511,072)	444,664	4,628,537,984
Proprietary technology and industrial property rights	344,256,227	3,870,346	—	(753,015)	347,373,558
Software license	336,451,275	97,839,804	(1,903,941)	(2,563,046)	429,824,092
Customer relations	—	244,631,978	—	(9,446,303)	235,185,675
Unfinished orders and technical service preferential contract	—	49,937,531	—	(1,928,305)	48,009,226
	5,201,300,137	514,291,416	(12,415,013)	(14,246,005)	5,688,930,535

During the current period from 1 January 2014 to 31 October 2014, the Group is applying for certificate and transferring of rights for land of RMB34,685,657. The Group's management believes that they have the legal rights and authorities to possess those lands, and the Group's management believes that it will not have significant influences on the financial situation of the Group as a whole.

As at 31 October 2014, the book value of Group's land is equivalent to RMB4,454,624 which is regarded as the guarantee of bank loan.

17. Development expenditure

	1 January 2014	Additions	Transfers-out: Change to profit and loss	Transfers-out: Transfer to intangible assets	31 October 2014
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Development expenditure	61,167,419	3,221,960,969	3,221,448,629	—	61,679,759

As at 31 October 2014, the amount of intangible assets that transfer from internal research and development account for 0.08% of the total book value of intangible assets.

18. Goodwill

	1 January 2014	Additions	Translation reserve	31 October 2014	Provision for impairment
	RMB	*RMB* *(Note (IV) 4)*	*RMB*	*RMB*	*RMB*
Goodwill	107,903,902	618,766,429	(25,050,909)	701,619,422	(46,517,958)

The movement of provision for impairment in goodwill as following:

	1 January 2014	Additions	31 October 2014
	RMB	*RMB*	*RMB*
Provision for impairment	46,517,958	—	46,517,958

19. Long-term prepaid expenses

	At 1 January 2014	Additions	Provision	Translation reserve	At 31 October 2014
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Lease hold improvements	25,727,148	8,863,657	(8,246,271)	—	26,344,534
Others	9,115,856	—	(2,043,981)	5,400	7,066,475
Total	34,843,004	8,863,657	(10,290,252)	5,400	33,411,009

20. Deferred tax assets/liability

Recognised deferred tax assets and liabilities:

Deferred tax assets

	31 October 2014
	RMB
Product quality assurance is expected to prepare	449,726,085
Government grants	80,580,203
Advanced payment of agency fees	113,346,672
Impairment of Fixed assets	101,122,432
Unrealised profit arising from the consolidation of financial statement	19,922,220
Advances of technology fee	119,224,536
Accrued but unpaid salaries	117,729,852
Others	87,093,944
	1,088,745,944

Deferred tax liability

	31 October 2014 *RMB*
Fair value adjustment in acquisition of subsidiary	86,825,579
Depreciation difference arising from the difference between taxation law and accounting depreciation	13,345,566
Fair value adjustment in available for sale assets	32,578,269
Changes in the fair value of available-for-sale financial assets recognised in capital reserve	135,202
	132,884,616

The deductible losses for which no deferred tax assets are recognized will be expired in the following years:

	31 October 2014 *RMB*
2014	331,700,702
2015	162,565,230
2016	240,528,495
2017	144,230,792
2018	498,897,141
2019	699,668,734
	2,077,591,094

	31 October 2014	
	Taxable and deductible temporary differences *RMB*	**Deferred tax asset or liability** *RMB*
Deferred tax assets		
Product quality assurance is expected to prepare	2,915,595,125	449,726,085
Government grants	500,095,286	80,580,203
Advanced payment of agency fees	755,644,482	113,346,672
Impairment of Fixed assets	554,394,939	101,122,432
Unrealised profit arising from the consolidation of financial statement	132,721,301	19,922,220
Advances of technology fee	794,830,240	119,224,536
Accrued but unpaid salaries	583,103,917	117,729,852
Others	493,338,601	87,093,944
	6,729,723,891	1,088,745,944
Deferred tax liability		
Fair value adjustment in acquisition of subsidiary	925,904,238	86,825,579
Depreciation difference arising from the difference between taxation law and accounting depreciation	53,382,262	13,345,566
Fair value adjustment in available for sale assets	197,576,412	32,578,269
Changes in the fair value of available-for-sale financial assets recognised in capital reserve	901,347	135,202
	1,177,764,259	132,884,616

According to the company's prediction for the following five years, the Company believes that there will be enough taxable income to be deducted by the deductible temporary differences, thus, Deferred Tax Assets was recognised.

21. Other non-current assets

	31 October 2014 *RMB*
Prepaid land funds	370,104,634
Prepaid equipment	143,843,132
Direct insurance *(Note 1)*	90,572,705
Prepaid the purchase of intangible assets	7,434,243
Others *(Note 2)*	706,566,208
	1,318,520,922

Note 1: This direct insurance relates to the specific pension plan of BOGE Germany. BOGE Germany and the labour union already agreed Germany BOGE can withdraw capital from the direct insurance agreement fund directly. Therefore, the direct insurance does not belong to the plan assets. It was classified as loan or Trade receivables because it does not have active trading market. Meanwhile, it was subsequent stated at amortise cost.

Note 2: The majority are financial asset that relates to the "building-transfer" projects of the group.

22. Provision for impairment assets

	1 January 2014	Current charge	Other charge	Decrease in current period			Balance of foreign currency statement translation	31 October 2014
				Reversal	Transfer out	Written-off		
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Bad-debt provision	951,494,074	700,307,348	462,868	(64,005,367)	(462,868)	(570,418)	(4,478)	1,587,221,159
Provision for decline in value of inventories	645,043,180	388,221,045	—	(12,013,861)	(74,392,933)	—	3,800,620	950,658,051
Provision for impairment losses of available-for-sale financial assets	220,000	—	—	—	—	—	—	220,000
Impairment of fixed assets	93,665,818	4,405,936	—	—	(3,756,626)	(4,236,137)	—	90,078,991
Impairment of construction	576,000	—	—	—	—	—	—	576,000
Impairment of intangible assets	144,330,957	—	—	—	—	—	—	144,330,957
Impairment of goodwill	46,517,958	—	—	—	—	—	—	46,517,958
Impairment of interest receivable	11,249,004	5,549,402	—	—	—	—	—	16,798,406
Impairment of loans and advances	—	7,100,000	—	—	—	—	—	7,100,000
	1,893,096,991	1,105,583,731	462,868	(76,019,228)	(78,612,427)	(4,806,555)	3,796,142	2,843,501,522

23. Short-term borrowings

	31 October 2014
	RMB
Pledge	1,454,400,000
Mortgage	8,000,000
Guarantee	3,000,000
Credit	7,085,135,858
	8,550,535,858

Note 1: Annual interest rate of short-term borrowings ranging from 2.07% to 7.50% as at 31 October 2014.

Note 2: The independent third party, Dafeng Jinmao Investment Ltd., provides guarantee of RMB3,000,000, as at 31 October 2014.

24. Short-term financial bond payable

	1 January 2014	Increase during the current period	Decrease during the current period	31 October 2014
	RMB	*RMB*	*RMB*	*RMB*
Short-term financial bond payable	2,000,000,000	7,000,000,000	(4,000,000,000)	5,000,000,000

The closing balance of short-term financial notes payable is RMB5 billion, as at 31 October 2014, movement details are as follows:

	Book value	Issue Date	Duration of Bond	Issue amount	At 1 January 2014 interest payable	Current period interest accrued	Current period interest paid	Closing balance interest payable	At 31 October 2014
	RMB			*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
CSR 2014 first tranche of short-term financial notes payable (14 CSR SCP001)	2,000,000,000	26/02/2014	270 days	2,000,000,000	—	66,666,666	—	66,666,666	2,000,000,000
CSR 2014 3rd tranche of short-term financial notes payable (14 CSR SCP003)	3,000,000,000	17/09/2014	90 days	3,000,000,000	—	17,812,500	—	17,812,500	3,000,000,000
Total	5,000,000,000			5,000,000,000	—	84,479,166	—	84,479,166	5,000,000,000

25. Notes payables

	31 October 2014
	RMB
Commercial acceptances	784,685,831
Bank acceptances	10,765,986,058
	11,550,671,889

26. Accounts payable

No interests of accounts payable, and it is really be paid within 6 months.

Foreign currency accounts payable are as follows:

	31 October 2014		
	Foreign currency	**Exchange rate**	**Equivalent to RMB**
Euro	100,363,645	7.7377	776,583,776
Hong Kong Dollar	727,400,693	0.7925	576,465,049
Japanese Yen	6,967,569,270	0.0562	391,577,393
United States Dollar	28,531,407	6.1461	175,356,881
Malaysia's Ringgit	61,065,679	1.8638	113,814,213
South African Rand	86,631,907	0.5542	48,011,403
Canadian Dollar	5,579,879	5.4886	30,625,724
Brazil Real	3,654,620	2.5089	9,169,076
Australian Dollar	1,593,972	5.4160	8,632,952
Swiss Franc	929,374	6.3881	5,936,934
Great British Pound	243,085	9.8202	2,387,143
Turkey Lirasl	505,476	2.7557	1,392,940
			2,139,953,484

As at 31 October 2014, the balance of this account includes shareholders or related parties which holds 5% or more shares. The details are disclosed in note (VII) and related party relationships and transactions discloses.

As at 31 October 2014, there is no large accounts payable aging over one year in the group.

27. Advances from customers

The Group has no individual significant advance from customers which is aged more than one year, as at 31 October 2014.

The closing balance of this account does not include shareholders or related parties who hold 5% or more shares of our company, as at 31 October 2014.

28. Employee benefits payable

	1 January 2014	Increase during the current period	Decrease during the current period	Translation reserve	31 October 2014
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Salaries, bonuses, allowances and compensation	408,925,404	6,500,571,508	(5,580,849,295)	(3,459,058)	1,325,188,559
Welfares	30,385,189	478,384,181	(469,195,831)	(69,366)	39,504,173
Social insurance	120,364,789	1,755,230,030	(1,627,672,495)	(556,963)	247,365,361
Includes: 1. Medical insurance	38,888,052	431,235,418	(387,070,001)	(25,217)	83,028,252
2. Basic retirement insurance	23,463,004	982,266,255	(944,644,229)	(523,720)	60,561,310
3. Annuity	27,999,585	160,712,478	(137,300,971)	—	51,411,092
4. Unemployment insurance	18,784,698	79,042,192	(62,546,879)	(7,330)	35,272,681
5. Work related injury insurance	6,157,437	65,386,762	(63,646,173)	(696)	7,897,330
6. Maternity insurance	5,072,013	36,586,925	(32,464,242)	—	9,194,696
Housing funds	10,051,626	577,206,686	(564,994,640)	452	22,264,124
Labour union expenditure and employee education expenses	42,603,867	221,339,170	(169,803,380)	—	94,139,657
Retirement benefits	127,820,000	137,498,759	(136,768,759)	—	128,550,000
Relatives benefits	5,590,000	3,057,856	(3,057,856)	—	5,590,000
Others	15,672,184	—	—	—	15,672,184
	761,413,059	9,673,288,190	(8,552,342,256)	(4,084,935)	1,878,274,058

29. Tax payable

	31 October 2014 *RMB*
Value-added tax	251,308,480
Income tax	616,839,224
Individual income tax	29,969,386
Urban construction and maintenance tax	14,776,408
Education surcharges	55,236,836
City and town land use tax	10,715,673
Property tax	11,442,786
Others	100,184,108
	1,090,472,901

30. Dividends payable

	31 October 2014 *RMB*
ChangZhou Xin Kai Investment Co., Ltd.	15,903,226
Changzhou Multidimensional Electric Co., Ltd.	10,967,742
Dongyang Co.Ltd	4,050,000
Fourth Group Co. Ltd. of Chinese Railway	863,203
Others	755,758
	32,539,929

31. Interest payable

	31 October 2014 *RMB*
Interest on short-term bonds	84,479,166
Interest payable	96,875,003
	181,354,169

32. Other payables

Other payables in foreign currency details are as follows:

	31 October 2014		
	Original currency	**Exchange rate**	**RMB**
Euro	11,944,323	7.7377	92,421,588
United State Dollar	8,610,436	6.1461	52,920,601
Japanese Yen	223,637,798	0.0562	12,568,444
Brazil Real	3,250,674	2.5089	8,155,616
Swiss Franc	994,963	6.3881	6,355,923
Canadian Dollar	577,724	5.4886	3,170,896
Australian Dollar	365,837	5.4160	1,981,373
Turkey Lirasl	84,626	2.7557	233,204
Malaysia's Ringgit	89,097	1.8638	166,059
Hong Kong Dollar	198,910	0.7925	157,636
South African Rand	75,540	0.5542	41,864
			178,173,204

On 31 October 2014, the balance in this account holding 5% or more of the voting shares of the Company and related parties, whose details are given in Note (VII), related party relationships and transactions.

On 31 October 2014, the Group had no more than one year of aging other payables.

33. Non-current liabilities due within one year

	31 October 2014 *RMB*
Long-term borrowings due within one year *(Note 34)*	463,254,420
Long-term payables due within one year *(Note 36)*	49,140,706
Provisions due within one year *(Note 37)*	1,054,645,048
Deferred income due within one year *(Note 38)*	233,776,059
	1,800,816,233

Long-term borrowings due within one year:

	31 October 2014 *RMB*
Mortgage loan	30,000,000
Fiduciary loan	433,254,420
	463,254,420

The annual interest rate of long-term borrowings due within one year was interest-free -6.90% as at 31 October, 2014.

The top five long-term borrowings due within one year as at 31 October 2014 were as follow:

	Loan contract from date	Loan contract to date	Currency	Rate (%)	31 October 2014 domestic currency
(1)	18 June 2013	18 June 2015	RMB	4.20	300,000,000
(2)	12 June 2012	12 June 2015	RMB	4.92	42,500,000
(3)	25 June 2012	12 June 2015	RMB	4.92	42,500,000
(4)	30 November 2009	29 December 2014	RMB	6.22	10,000,000
(5)	30 November 2009	29 December 2014	RMB	6.22	10,000,000
					405,000,000

Deferred income due within one year:

	31 October 2014 *RMB*
The government grants relate with assets	90,166,054
The government grants relate with earning	143,610,005
	233,776,059

34. Long-term borrowings

	31 October 2014 *RMB*
Mortgage loan	86,063,563
Fiduciary loan	3,112,115,083
Total	3,198,178,646
Less: Long-term borrowings due within one year *(Note 33)*	(463,254,420)
	2,734,924,226

Note 1: The amount of the CSR Group and Guangxi Yuchai Machinery Group Co., Ltd guarantee for Long-term borrowings to CSR Group is RMB8,063,563 and RMB78,000,000 as at 31 October 2014.

Note 2: The annual interest rates of long-term borrowings are interest-free to 6.90% as at 31 October 2014.

The amount of the top five of the long-term borrowings as at 31 October 2014 are as follow:

	Loan contract from date	Loan contract to date	Currency	Rate (%)	31 October 2014	
					Foreign currency	Local currency
(1)	2014/9/25	2016/9/25	RMB	4.70	NOT APPLICABLE	1,000,000,000
(2)	2014/8/20	2019/8/20	EUR	2.30	103,000,000	796,869,800
(3)	2014/8/21	2019/8/21	EUR	2.50	100,000,000	773,660,000
(4)	2013/6/18	2015/6/18	RMB	4.20	NOT APPLICABLE	300,000,000
(5)	2012/6/25	2015/6/12	RMB	4.92	NOT APPLICABLE	42,500,000
						2,913,029,800

35. Bonds payable

	1 January 2014 RMB	Increase in current period RMB	31 October 2014 RMB
2013 CSR corporation bond (First Tranche) 5 year time	1,500,000,000	—	1,500,000,000
2013 CSR corporation bond (First Tranche) 10 year time	1,500,000,000	—	1,500,000,000
ZhuZhou Times New Material Technology Co., Ltd. The first tranche of 2014 Medium-term notes (3 year time)	—	700,000,000	700,000,000
Total	3,000,000,000	700,000,000	3,700,000,000

As at 31 October 2014, Bonds payable balance Listed in the following:

	Value RMB	Release date	The bond deadline	Issuance	Beginning Interest payable	Interest accrued in the period	Interest paid in the period	Closing Interest payable	At 31 October 2014
	RMB			*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
2013 CSR corporation bond (First Phase) 5 year time	1,500,000,000	22/04/2013	5years	1,500,000,000	47,979,168	57,575,001	(69,129,168)	36,425,001	1,500,000,000
2013 CSR corporation bond (First Phase) 10 year time	1,500,000,000	22/04/2013	10years	1,500,000,000	51,041,668	61,250,001	(73,541,668)	38,750,001	1,500,000,000
ZhuZhou Times New Material Technology Co., Ltd. The first phase of 2014 Medium-term notes (3 year time)	700,000,000	24/04/2014	3years	700,000,000	—	21,700,001	—	21,700,001	700,000,000
Total	3,700,000,000			3,700,000,000	99,020,836	140,525,003	(142,670,836)	96,875,003	3,700,000,000

36. Long-term payables

	31 October 2014 *RMB*
Accounts payable for financing lease	229,482,572
Less: Accounts payable for financing lease within one year *(Note 33)*	(49,140,706)
	180,341,866

Accounts payable for financing lease of Long-term payables are as follows:

	31 October 2014 *RMB*
The first year after the balance sheet date	57,329,026
The second year after the balance sheet date	57,838,857
The third year after the balance sheet date	58,221,284
Subsequent years	75,196,162
Total of minimum lease payment	248,585,329
Less: Unconfirmed financing charges	(19,102,757)
Short-term financing lease payable	229,482,572

The situation of Long-term payables and Long-term payables due within one year:

Company	Time limit	The initial amount	Rate (%)	At 31 October 2014
Company one of Long-term payables				
Long-term payables	4 years	213,961,342	5.76	167,464,233
Long-term payables due within one year	4 years	213,961,342	5.76	46,877,429
Company two of Long-term payables				
Long-term payables	40 years	84,379,000	3.37	62,018,339
Long-term payables due within one year	40 years	84,379,000	3.37	2,263,277

37. Provisions

	Product quality assurance *RMB*	Others *RMB*	Total *RMB*
At 1 January 2014	1,742,481,258	53,775,362	1,796,256,620
Additions	1,941,802,157	122,709,134	2,064,511,291
Reductions	(670,876,138)	(361,980)	(671,238,118)
At 31 October 2014	3,013,407,277	176,122,516	3,189,529,793
Less: Provisions due within one year *(Note 33)*	(901,109,843)	(153,535,205)	(1,054,645,048)
	2,112,297,434	22,587,311	2,134,884,745

38. Other non-current liabilities

	31 October 2014 *RMB*
Retirement and early retirement benefits payables *(Note 1)*	1,217,436,500
Work related injury insurance *(Note 1)*	55,953,500
The German pension payables *(Note 2)*	543,831,514
	1,817,221,514
Deferred income *(Note 3)*	1,969,022,849
Others	190,084,889
	3,976,329,252

Note 1: Retirement and early retirement benefits payables and work related injury insurance

For CSR and other domestic subsidiaries, the Group provides the overall external retirement welfare plan such as compensatory endowment insurance program to the employees retiring before 1 July 2007. The plans include monthly allowance for the retired workers. The group will not provide/pay any overall external welfare (retired wages, subsidies, health care).

The group hired independent actuaries Towers Watson Enterprise Management Consulting (Shenzhen) co., Ltd. Base on the projected unit credit method, the actuaries estimate the present value of retirement benefits plan duty. The plan expects the future cash flow by inflation rate and mortality and confirms the present value by the discount rate. The discount rate is determined by bond market yield which is matching with setting the benefit obligation term and currency in the balance sheet date. The Group confirm the liabilities by the actuarial results. The related actuarial gains or losses recorded in other comprehensive income and would not back to the profit and loss in the subsequent accounting periods. The past service cost will be recorded to the current profits and losses in the plan revised period. It multiply setting benefited plan net debt or net asset by the appropriate discount rate to confirm net interest.

Setting benefit plan present value has changed as follows for the current period from 1 January 2014 to 31 October 2014.

	RMB
At 1 January 2014	1,366,360,000
Net interest costs which recorded to management expenses	41,540,000
Remeasure influence which recorded to other comprehensive income	140,381,415
The current cost	(140,751,415)
At 31 October 2014	1,407,530,000
Among them:	
Retirement and early retirement benefits payables due within one year *(Note 28)*	128,550,000
Work related injury insurances due within one year *(Note 28)*	5,590,000
Retirement and early retirement benefits payables after one year *(Note 38)*	1,217,436,500
Work related injury insurance after one year *(Note 38)*	55,953,500
Total	1,407,530,000

Germany BOGE established direct insurance in Germany to support the pension plan, refer to Note (V) 21.

Setting benefit plan makes Group to face the actuarial risks which include interest rate risk, longevity risk and inflation risk. The reduction of national debt treasury bonds return rate will lead to increase of setting benefit plan obligation present value. Setting benefit plan obligation present value is the best estimate death rate of the staffs who joined in the plan. The increase of Members' expected life will lead the increase of plan liabilities. Setting benefit plan obligation present value is related with planning for the future payment standard which is confirmed with inflation rate. So the increase of inflation rate will lead to the increase of plan liabilities.

The major actuarial assumptions which confirm setting benefit plan obligation present value are discount rate, the annual growth rate of the expense of medical insurance and the growth rate of the average medical expense:

	31 October 2014
	%
Discount Rate	3.75
Health insurance fee annual growth rate	8.00
Average growth rate of medical expenses	8.00

Death rate refers to CLA2000-03: China life insurance pension life table 2000-03

The following sensitivity analysis is based on the corresponding assumptions' reasonable changes in the end of report period (All the other assumptions unchanged):

Quantitative sensitivity analysis, if the discount rate increases or decrease by 0.25% from 1 January 2014 to 31 October 2014.

	Setting benefit plan liability	
	Add	**Less**
	RMB	*RMB*
Discount Rate	(24,010,000)	25,000,000

Quantitative sensitivity analysis, if the growth rate of average medical expenses increase or decrease by 0.25% from 1 January 2014 to 31 October 2014.

	Interest cost		**Setting benefit plan of a liability**	
	Add	**Less**	**Add**	**Less**
	RMB	*RMB*	*RMB*	*RMB*
Growth rate of average medical expenses	800,000	(700,000)	21,240,000	(18,740,000)

The sensitivity analysis is based on the reasonable change of key assumptions on the balance sheet date to set the influence of the net benefit plan. As some assumptions may have a correlation, a hypothesis is unlikely to change in isolation, so the above sensitivity analysis cannot reflect actual change of present value set forth benefit plan.

Note 2: The German pension payables

The German pension payables is the liabilities which is based on the pension plan provided by Germany BOGE. Germany BOGE's mainly pension plan provide an unfunded defined benefit schemes. According to the Rentenordnung 2005 and Versorgungszusage 2004, German BOGE provide traditional German pension planning groups which include normal and early retirement benefits and the benefits provided to the disabled people and the dead staff survivors. These plans are setting benefit plan, and adjusting capture puts scale by different wage.

For the period from 1 September 2014 ("Date of acquisition") to 31 October 2014, the present value of the defined benefit plan changes as follows:

	RMB
Date of acquisition	557,609,868
The impact of foreign currency translation	(13,778,354)
31 October 2014	543,831,514

The average period of 31 October 2014 the defined benefit obligation is 23 years.

Germany BOGE established direct insurance in Germany to support the pension plan, refer to Note (V) 21.

The Setting benefit obligation present value's actuarial valuation is confirmed with expected cumulative welfare Company method by Mercer Deutschland GmbH. Except with life forecast of hypothesis, other important assumptions are as follows:

	31 October 2014
	%
Discount rate	2.50
The expected growth of wages and salaries	2.70
The growth of pension	1.30
Fluctuation	2.00

The expected growth of wages and salaries mainly depends on inflation, wage standards, the company's operating performance and other factors.

Note 3: The deferred income as follows:

	31 October 2014
	RMB
Government grants related to assets	1,519,060,327
Government grants related to income	683,738,581
	2,202,798,908
Less: Deferred revenue due within one year *(Note 33)*	(233,776,059)
	1,969,022,849

On 31 October 2014, liabilities involving government subsidies are as follows:

	1 January 2014 *RMB*	New issue *RMB*	Non-operating income *RMB*	31 October 2014 *RMB*	Associated with the asset/income
Restructuring of research funding agencies	12,000	3,900,000	(3,900,000)	12,000	income
Technology project funding	749,983,571	80,106,331	(99,585,817)	730,504,085	asset/income
Relocation compensation	841,524,652	188,330,010	(159,965,058)	869,889,604	asset/income
Others	458,343,732	200,598,260	(56,548,773)	602,393,219	asset/income
	2,049,863,955	472,934,601	(319,999,648)	2,202,798,908	

39. Share capital

		Period from 1 January 2014 to 31 October 2014				
		Beginning		Increase/ decrease during the current period	Closing	
		Number of shares	Percentage *(%)*		Number of shares	Percentage *(%)*
I.	Shares subject to moratorium					
	1. CSR	1,362,103,700	9.87	—	1,362,103,700	9.87
	2. Other	300,000,000	2.17	(300,000,000)	—	—
Total shares subject to moratorium		1,662,103,700	12.04	(300,000,000)	1,362,103,700	9.87
II.	Tradable shares					
	1. RMB ordinary shares *(Note1)*	10,116,896,300	73.29	300,000,000	10,416,896,300	75.46
	2. Overseas listed foreign shares	2,024,000,000	14.67	—	2,024,000,000	14.67
Total tradable shares		12,140,896,300	87.96	300,000,000	12,440,896,300	90.13
III.	The total number of shares	13,803,000,000	100.00	—	13,803,000,000	100.00

Note: As at 31 October 2014, the CSR Group held a total of RMB6,434,217,442 shares of common stock.

40. Capital reserve

	1 January 2014	Period increase	Period decrease	31 October 2014
	RMB	*RMB*	*RMB*	*RMB*
Share premium	9,917,456,697	—	—	9,917,456,697
Share-based payment	79,248,279	—	(33,601,496)	45,646,783
Other capital reserves	13,692,234	—	(17,084,953)	(3,392,719)
	10,010,397,210	—	(50,686,449)	9,959,710,761

41. Surplus reserve

	1 January 2014	Period increase	31 October 2014
	RMB	*RMB*	*RMB*
Statutory Surplus reserve	1,043,984,462	—	1,043,984,462

According to Company Law and the Articles of Association of the Company, the company shall set aside 10% of its after-tax profit for the statutory surplus reserve fund of the company. When the aggregate balance in the statutory surplus reserve fund amounts to 50% or more of the registered capital of the Company, the Company may cease to make further allocation.

After allocation has been made to statutory surplus reserve fund of the Company from its after-tax profit, the company may set aside funds for the discretionary reserve fund. Once approved, the discretionary Surplus reserve can be used to cover losses of previous year or to increase share capital.

42. Retained earning

	1 January 2014 to 31 October 2014 *RMB*
Retained earnings at the opening of the period	11,485,391,120
Net profit attributable to shareholders of the parent company	4,545,273,065
Less: general risk provision *(Note 1)*	49,858,666
Distribution to shareholders *(Note 2)*	1,242,270,000
Retained earnings at the end of the period	14,738,535,519

Note 1: According to the relevant provisions of the Ministry of Finance, a subsidiary of the Company's CSR Finance Limited (hereinafter referred to as "financial company") is generally required to make appropriation of general risk provision from net profit as profit distribution, general risk provision balance should not be less than 1.5% of 31 October 2014 of risk assets. According to the finance company board resolution, the current appropriation of general risk provision is RMB49,858,666

Note 2: The company 2013 annual profit distribution plan has been approved by Annual General Meeting on 16 June 2014. RMB1,242,270,000 was approved to be distributed to the Shareholders of the Company at RMB0.09 per share with total 13,803,000,000 Shares.

43. Operating income and operating costs

Operating income as follows:

	1 January 2014 to 31 October 2014 *RMB*
Principal operating income	94,038,252,713
Other operating income	581,727,215
Interest income	56,529,190
Fees and commissions	750,000
	94,677,259,118

Operating costs are as follows:

	1 January 2014 to 31 October 2014 *RMB*
Principal operating costs	73,566,428,133
Other operating costs	452,871,860
	74,019,299,993

In the period from 1 January 2014 to 31 October 2014, top five entities with the largest operating income are as following:

	Amount *RMB*	Percentage of total revenue *(%)*
Company 1	43,776,675,724	46
Company 2	3,083,298,253	3
Company 3	1,982,160,115	2
Company 4	1,747,258,371	2
Company 5	1,264,729,477	1
	51,854,121,940	54

Note: When the top five customers operating income statistics, the China Railway Corporation and its subsidiary companies as a customer.

44. Business tax and surcharges

	1 January 2014 to 31 October 2014 *RMB*
Business tax	26,235,874
Urban construction and maintenance tax	272,845,646
Education surcharge	193,131,124
Others	18,862,991
	511,075,635

Standard of payment, See Note (III) Tax.

45. Selling expenses

	1 January 2014 to 31 October 2014 *RMB*
Expected provisions for product quality assurance	1,863,631,939
Overseas sales charge	909,825,378
Employee benefits	409,380,272
Transportation costs	326,451,424
Other	547,351,681
	4,056,640,694

46. Administrative expenses

	1 January 2014 to 31 October 2014 *RMB*
Employee benefits	2,780,343,776
R & D expenses	3,665,507,462
Depreciation	273,517,419
Other	1,704,769,234
	8,424,137,891

47. Financial expenses

	1 January 2014 to 31 October 2014 *RMB*
Interest expense	688,311,623
Less: Interest income	181,401,975
Less: capitalized interest expenses *(Note 15)*	42,859,858
Exchange difference	(93,215,922)
Financial institutions charge	105,417,020
Cash discount	(19,554,110)
Amortization of unrecognised financing costs	7,986,791
Other	5,196,823
	469,880,392

48. Impairment losses on assets

	1 January 2014 to 31 October 2014 *RMB*
Bad debt loss	636,301,981
Written-down of inventories	376,207,184
Other impairment losses	17,055,338
	1,029,564,503

49. Changes in fair value losses

	1 January 2014 to 31 October 2014 *RMB*
At fair value through profit or loss of financial assets the changes are included *(Note)*	(11,483)

Note: The main fair amount of the Group of Metallurgical Corporation of China stock investments and changes in the value of forward foreign exchange contracts.

50. Investment income

	1 January 2014 to 31 October 2014 *RMB*
Long-term equity investments:	
— Equity method of accounting of long-term equity investment	261,063,048
— Disposal of long-term equity investment income	3,412,593
Measured at their disposal at fair value and changes through profit or loss financial assets achieved return on investment	3,475,436
Available-for-sale financial assets of investment income	19,971,783
Financial products investment income	43,030,621
Others	468,659
	331,422,140

As at 31 October 2014, top five entities with largest amounts of long-term equity investment income are as following:

For the period from 1 January 2014 to 31 October 2014

	Amount *RMB*
Bombardier Sifang (Qingdao) Transportation Ltd.	208,703,202
Zhuzhou Shiling Traffic Equipment Co., Ltd.	53,916,266
Guiyang Vontron Technology Co., Ltd.	27,311,807
CSR Zhuzhou Times High-tech Investment and Guarantee Ltd.	4,238,687
Huaneng Tieling Wind Power Co., Ltd.	2,547,404
	296,717,366

As at 31 October 2014, there was no significant restriction under the company's gains on investment.

51. Non-operating income

	1 January 2014 to 31 October 2014 *RMB*
Total gains on disposal of non-current assets	11,904,363
Including: Gains on disposal of fixed assets	11,397,198
Gains on disposal of intangible assets	507,165
Donate Profits	247,588
Governments grants	596,823,016
Surplus profits	1,256,921
Default compensation income	11,959,048
Unpayable amounts	1,986,703
Package deposit confiscations	3,904,031
Others	29,423,173
	657,504,843

Government grants included in profit or loss for the current period are as follows:

	For the period from 1 January 2014 to 31 October 2014 *RMB*	Related to an asset/related to income
Refund of value-added tax *(Note)*	174,981,578	related to income
Reform of scientific research institutions	3,900,000	related to income
Grants of science and technology	113,239,299	asset / income
Demolition compensation	159,965,058	asset / income
Others	144,737,081	asset / income
	596,823,016	

Note: This period mainly based on < Circular on Value-added Tax Policy on Software Products> (Cai Shui [2011] No. 100), the group received the VAT tax rebate the group received the VAT tax refund.

52. Non-operating expenses

	1 January 2014 to 31 October 2014 *RMB*
Total losses on disposal of non-current assets	79,130,605
Including: Losses on disposal of fixed assets	79,130,605
Fine	13,259,522
Relocation losses	85,631,460
Donating	247,788
Others	19,579,076
	197,848,451

53. Income tax

	1 January 2014 to 31 October 2014 *RMB*
Current income tax expense	1,628,285,943
Deferred income tax expense	(414,296,439)
	1,213,989,504

Reconciliation of income tax expenses to the accounting profit is as follows:

	1 January 2014 to 31 October 2014 *RMB*
Accounting profit	6,957,727,059
Income tax expenses calculated at tax rate of 25% *(Note 1)*	1,739,431,765
Effect of certain subsidiaries apply different tax rates	(631,331,137)
Adjustment of current income tax during the current period	(16,583,206)
Attributable profit and loss of joint ventures and associated enterprises	(38,588,609)
Tax effect of non-deductible expenses	66,004,936
Deductible the previous losses	(27,078,602)
Effect of unrecognised deductible losses and deductible	242,248,445
Other tax preferences *(Note 2)*	(120,114,088)
Calculated according to the effective tax rate of the Group's income tax expense	1,213,989,504

Note 1: The Group's income tax was accrued by taxable income obtained from the mainland of China and applicable tax rate. The tax for income from other regions was accrued by the applicable tax rate based on the laws, announcements and conventions of the countries or regions where the business located.

Note 2: Mainly referred to the income tax credit on the investment in the technical transformation of the domestic manufactured equipment and the deducted pre-tax by the technical research and development cost.

54. Other comprehensive income

(1) Presentation of Items of Other Comprehensive Income

	1 January 2014 to 31 October 2014		
	Amount before income tax *RMB*	**income tax** *RMB*	**Amount after Income tax** *RMB*
The other comprehensive income which cannot be reclassified into gain and loss in future:			
Remeasurement of net defined benefits liabilities	(140,381,415)	—	(140,381,415)
The other comprehensive income which can be reclassified into gain and loss in future:			
The changes in the fair value of available-for-sale financial assets	99,165,387	16,342,627	82,822,760
Less: the other comprehensive income in the prior period transferred into gain and loss	—	—	—
Sub-total	99,165,387	16,342,627	82,822,760
Translation differences arising on translation of financial statements denominated in foreign currencies	(80,558,818)	—	(80,558,818)
Less: the other comprehensive income in the prior period transferred into gain and loss	—	—	—
Sub-total	(80,558,818)	—	(80,558,818)
Total	(121,774,846)	16,342,627	(138,117,473)

(2) The change of the other comprehensive income attributable to shareholders

	The fair value change of Available-for-sale financial assets *RMB*	Translation differences arising on translation of financial statements denominated in foreign currencies *RMB*	Remeasurement of net defined benefits liabilities *RMB*	Total other comprehensive income *RMB*
At 1 January 2014	138,703,005	(53,542,782)	131,970,000	217,130,223
The change in the current period	82,822,760	(225,550)	(140,381,415)	(57,784,205)
At 31 October 2014	221,525,765	(53,768,332)	(8,411,415)	159,346,018

55. Earnings per share

The basic earnings per share was calculated with the process of the net profit for the current period attributable to ordinary shareholders divided by the weighted average number of outstanding ordinary shares. The number of new issued ordinary shares was based on the contract's clause from the date to charge the cost.

Calculation process of basic earnings per share is as follows:

	1 January 2014 to 31 October 2014 *RMB*
Profit	
Net profit for the current accounting period attributable to ordinary shareholders	4,545,273,065
Share	
Number of ordinary shares outstanding	13,803,000,000
Basic earnings per share *(RMB per share)*	0.33
Dilutive earnings per share *(RMB per share)*	NOT APPLICABLE

As at 31 October 2014, the potential ordinary shares were granted on 27 April 2011 to the directors (except for the independent directors), the senior management, and the key technical personnel and the key management personnel who had direct influence on the business performance and sustainable development of the subsidiaries/ joint venture enterprises with 12,128,476 A shares. No diluted earnings per share was presented from 1 January 2014 to 31 October 2014 as the exercise prices of share options were higher than the average market price for the period.

56. Notes to the items in the cash flow statement

Other cash paid relating to operating activities

	1 January 2014 to 31 October 2014 *RMB*
Operating with restricted expense	679,839,223
Cost of design and development	1,800,628,913
Marketing expense	1,187,049,015
Product quality assurance expense	670,876,138
Administration and office expense	505,087,906
Product transportation, packing and insurance expenses	486,718,048
Utilities and fixed assets repair expenses	357,177,263
Others	51,638,894
	5,739,015,400

Other related to the financing activities of cash payment

	1 January 2014 to 31 October 2014 *RMB*
Above the three-month and three-month fixed deposits	1,023,618,758

Other related to the financing activities of cash payment

	1 January 2014 to 31 October 2014 *RMB*
Borrowings mortgaged & pledged funds by the group's bank	1,480,446,005
Cash sale and leaseback	42,211,846
Expenses of Issue bonds	5,261,894
	1,527,919,745

57. Supplementary Information to Cash Flow Statement

(1) Supplementary information to cash flow statement

	1 January 2014 to 31 October 2014 *RMB*
Reconciliation of operating activities cash flows from net profit:	
Net profit	5,743,737,555
Add: Provision for impairment losses of assets	1,029,564,503
Depreciation of fixed assets	1,794,278,081
Depreciation of investment property assets	229,804,291
Amortization of long-term prepaid expenses	10,290,252
Share-based Payment	(33,601,496)
Net losses of disposal of fixed assets, intangible assets and other long-term assets	67,226,242
Loss from Fair Value Change	11,483
Financial expenses	726,216,223
Investment income	(331,422,140)
Increase in deferred tax liabilities	(410,079,798)
Decrease in deferred tax liabilities	(4,216,641)
Increases in inventories	(13,275,805,425)
Increase in receivables from operating activities	(6,277,141,188)
Increase in payables from operating activities	12,719,657,803
Net cash flow from operating activities	1,988,519,745

(2) Net change in cash and cash equivalents

	1 January 2014 to 31 October 2014 *RMB*
Cash as at 31 October 2014	15,757,339,004
Less: cash as at 1 January 2014	14,008,703,847
Net increase in cash and cash equivalents	1,748,635,157

Composition of cash and cash equivalents

	31 October 2014 *RMB*
Cash	
Including: Cash on hand	3,011,788
Bank deposits	15,754,327,216
	15,757,339,004

58. Share-based payment transactions

The expense recognised for the share option scheme for the period ended 31 October 2014 is as follows:

	For the period from 1 January 2014 to 31 October 2014 *RMB*
Equity-settled share option expense	
Including: reversed the cost of the second batch of expired share option recorded in the previous year	(44,415,980)
The cost of the third batch of share option recorded	10,814,484
	(33,601,496)

In March 2011, the Company submitted a share option scheme to the CSRC for approval, and there was no dissent. On 26 April 2011, the share option scheme was approved at the 2011 first extraordinary general meeting. Then the Company adopted an A share option scheme ("Share Option Scheme") for the purpose of providing incentives to eligible participants, and eligible participants of the Share Option Scheme included the directors, senior management (independent non-executive directors excluded), and key technical personnel and management personnel who have direct contribution to the performance and continuing development of the subsidiaries or the associates.

On 27 April 2011, the board of the directors of the Company granted 36,605,000 share options to the participants under the Share Option Scheme to subscribe for 36,605,000 A shares of par value RMB1 each of the Company pursuant to the resolution of the general meeting. The number of the share options granted does not exceed 1% of the total number of A shares in issue, and the share options granted have a validity period of seven years, commencing from the grant date determined by the board of the directors of the Company. Subject to fulfilment of all effective conditions under the Share Option Scheme and after the expiry of the two-year lock-up period from the grant date, the share options shall become exercisable in three batches according to the following effective arrangements;

Maximum percentage exercisable	Period for vesting of the relevant percentage of the option
Lot 1: 1/3 of the total share options granted	From the first trading day after the expiration of the 24-month period following the grant date to the last trading day preceding the expiration of the 60-month period following the grant date
Lot 2: 1/3 of the total share options granted	From the first trading day after the expiration of the 36-month period following the grant date to the last trading day preceding the expiration of the 72-month period following the grant date
Lot 3: 1/3 of the total share options granted	From the first trading day after the expiration of the 48-month period following the grant date to the last trading day preceding the expiration of the 84-month period following the grant date

The share options granted but not yet effective shall lapse forthwith and shall be cancelled by the Company.

The exercise price is the price at which the Company entitled the participants of the Share Option Scheme to subscribe for each share of the underlying stock. The exercise price was determined at the higher of the closing price of the A Shares on the trading day immediately preceding the date of the Share Option Scheme announcement and the average closing price of the A Shares for the 30 trading days immediately preceding the date of the Share Option Scheme announcement, which was RMB5.43 per share.

The fair value of the share options granted in 2011 was RMB151,009,745. Due to the expiry of the second batch of the vesting share options in the current period, the Group reversed the relevant cost recorded in the previous year by RMB44,415,980. And meanwhile the Group confirmed the cost of the third share option batch by RMB10,814,484.

The validity period of the second batch of the vesting share options was from the first trade day of 36 months after the grant date to the last trade day of 72 months after the grant date. The vesting period became due on 26 April 2014. As the performance of the year 2013 did not meet the presented revenue growth requirement (the year growth rate of revenue not lower than 25%), the share options expired. On the date of 31 October 2014, 24,838,454 share options expired.

The change of share options in the current period is as follow:

	1 January 2014 to 31 October 2014 *RMB*
Shares at 1 January 2014	24,403,333
Expired in the current period	(12,636,787)
Shares at 31 October 2014	11,766,546
Shares of the vesting share options at 31 October 2014	—

At 31 October 2014, the share options which had not been exercised would be mature after 7 years from the granted day.

VI. SEGMENT REPORT

Operating Segment

On the basis of management needs, the operating activities of the Group belong to a separate operating segment which provides the railway transportation equipment, related extension products and services. Therefore, there is no other operating segments of the Group.

Information of the Group

Information of the Group and Labour Services

External Transaction Income

	For the period from 1 January 2014 to 31 October 2014 *RMB*
Railway transportation equipment, related extension products and services	94,677,259,118

Geographic Information

External Transaction Income

	For the period from 1 January 2014 to 31 October 2014 *RMB*
Mainland China	87,248,442,697
Other Countries and Regions	7,428,816,421
	94,677,259,118

Total Amount of Non-Current Assets

	For the period from 1 January 2014 to 31 October 2014 *RMB*
Mainland China	35,241,168,979
Other Countries and Regions	2,531,774,801
	37,772,943,780

The non-current assets, excluding the financial assets and deferred income tax assets, belongs to the area in where it is located.

Information of important clients

The operating income (the generating revenue reaches or exceeds 10% of the total revenue of the Group) of the Group is RMB43,776,675,724.

Notes: The China Railway Corporation and subsidiaries are regarded as one client when we collected the information of important clients.

VII. RELATIONSHIPS AND TRANSACTIONS OF THE RELATED PARTY

1. Parent Company

Name	Relationship	Enterprise type	Registration place	Legal representative	Nature of business	Registered capital *RMB*	Share proportion owned by parent company *(%)*	*(%)* *(Note)*
CSRG Group	parent	state-owned	Beijing	Zheng Changhong	manufacturing	9,261,822,000	56.48	57.15

Note: CSR Group directly owns 56.48% voting rights of the Company. Meanwhile, the wholly owned subsidiary CSR Investment Management Ltd owns 0.67% voting rights of the Company. Therefore, CSR Group's voting rights of the Company equals to 57.15%.

2. Subsidiaries

Subsidiaries are in recorded Note (IV) the consolidation scope of consolidated statement.

3. Joint ventures and associated enterprises

Except as disclosed in Note (V) 12 of Joint ventures and associated enterprises, the Joint ventures and associated enterprises of the group has entered into the following significant transactions during the period as following:

Name of investee	**Relation**	**Percentage of shareholding in the investee** *(%)*	**Percentage of voting right in the investee** *(%)*
Dongyang Co. Ltd.,	Joint venture	50	50
Sichuan Braking Technology Co.,	Associate	33	33
Hunan CSR Westinghouse Rail Technology Co., Ltd.	Associate	50	50

4. Main transactions between the Group and Related Parties

		For the period from 1 January 2014 to 31 October 2014 *RMB*
(1) Sales and labour services provided to related parties	*Note 1*	
Sales to related companies		
Zhuzhou Shiling Traffic Equipment Co., Ltd.		860,154,753
CSR Guangzhou Electric Locomotive Co., Ltd.		205,916,137
CSRG and its subsidiary (excluding CSR Group)		49,021,435
ChangZhou RuiYang Transmission Technology Co., Ltd.		38,053,394
Bombardier Sifang (Qingdao) Transportation Ltd.		33,747,796
Sichuan Braking Technology Co		5,118

		For the period from 1 January 2014 to 31 October 2014 *RMB*
Providing services to related party		
CSR Guangzhou Electric Locomotive Co., Ltd.		96,795,604
CSRG and its subsidiary (excluding CSR Group)		4,525,796
Bombardier Sifang (Qingdao) Transportation Ltd.		421,206
Dongyang Co.Ltd		385,210
(2) Sales and labour services from related parties	*Note 1*	
Sales from related parties		
Zhuzhou Shiling Traffic Equipment Co., Ltd.		519,896,473
CSRG and its subsidiary (excluding CSR Group)		98,932,225
Changzhou Huanghai Automobile Co., Ltd		43,034,168
Dongyang Co.Ltd		22,881,289
Siemens Traction Equipment Ltd. Zhuzhou		17,139,931
Sichuan Braking Technology Co		4,118,092
CSR Guangzhou Electric Locomotive Co., Ltd.		448,424
Bombardier Sifang (Qingdao) Transportation Ltd.		103,662
Labour services from related parties		
CSRG and its subsidiary (excluding CSR Group)		3,975,000
(3) Other main related transactions		
Assets rent from related parties CSRG and its subsidiary (excluding CSR Group)		13,886,008
Financial services and interest income		
CSRG and its subsidiary (excluding CSR Group)	*Note 2*	1,828,000

		For the period from 1 January 2014 to 31 October 2014 *RMB*
Loan guaranteed by related parties		
CSRG and its subsidiary (excluding CSR Group)		8,063,563
Interest expense		
CSRG and its subsidiary (excluding CSR Group)		36,841,842
(4) Asset transference of related parties		
Fixed asset purchase from related parties		
CSRG and subsidiaries (exclude the company)		15,518,621
Compensation of important managements		
(excluding share-based payment)	*Note 3*	9,930,808
Shares of stock incentive received		
that important management received	*Note 4*	534,732

Note 1: The articles about the sales transactions and purchase transection of related parties above must be discussed and confirmed by both sides of the business.

Note 2: CSR Group provides the loan to CSRG and subsidiaries (exclude the company) and receives the interest income of loans through the subsidiary company of this financial company.

Note 3: If the key management personnel changes occurred within this period, their salaries paid by their actual tenure digital computing.

Note 4: During the period from 1 January 2014 to 31 October 2014, due to the failure of the second batch of share options, the company has confirmed the reversal of key management share options expenses of RMB1,958,296. And meanwhile the expenses for the third batch of stock share were confirmed by RMB476,804.

(5) Related party lending funds

Related party	Lending money	Start Date	Due date	At 31 October 2014
				RMB
Borrowing				
CSRG and its subsidiaries (Excluding CSR Group)	150,000,000	24/1/2014	31/12/2014	150,000,000

5. Trade receivables from related party transaction

	31 October 2014		
	Amount	Provision for bad debts	book value
	RMB	*RMB*	*RMB*
Trade receivables			
Guangzhou Electric Locomotive Co., Ltd.	53,611,199	—	53,611,199
CSRG and its subsidiaries (excluding CSR Group)	36,096,192	3,672,051	32,424,141
Bombardier Sifang Transportation Ltd.	14,907,497	60,091	14,847,406
Zhuzhou Shiling Transport Co.	237,080	—	237,080
Other receivables			
CSRG and its subsidiaries (excluding CSR Group)	7,890,906	—	7,890,906
Bombardier Sifang Transportation Ltd.	2,870,228	—	2,870,228
Receivable Notes			
CSRG and its subsidiaries (excluding CSR Group)	12,570,000	—	12,570,000
Loans and advances			
CSRG and its subsidiaries (excluding CSR Group)	80,000,000	800,000	79,200,000

6. The main payables to related parties

	31 October 2014 *RMB*
Accounts payable	
CSRG and its subsidiaries (excluding CSR Group)	26,259,349
Changzhou Huanghai Automobile Co., Ltd.	23,198,071
Changzhou Long Rui Japan Transmission Technology Co., Ltd.	167,559
Notes payable	
CSRG and its subsidiaries (excluding CSR Group)	1,780,000
Changzhou Long Rui Japan Transmission Technology Co., Ltd.	1,500,000
Other payables	
CSRG and its subsidiaries (excluding CSR Group)	362,591,165
Changzhou Huanghai Automobile Co., Ltd.	631,418
Short-term borrowings	
CSRG and its subsidiaries (excluding CSR Group)	750,000,000
Deposits and interbank deposits	
CSRG and its subsidiaries (excluding CSR Group)	6,708,915

Receivables and payables to related parties bear no interest and unsecured. The repayment period of trade contracts was complied with the trade clause and no fixed repayment period for non-trade contracts which was repaid on demand.

7. Related party promise

These are the related party promise, which have been signed but not listed in the financial statements in the balance sheet date:

	For the period from 1 January 2014 to 31 October 2014 *RMB*
Sales of goods to related parties	
Zhuzhou Shiling Transport Co.	657,270,567
Hunan CSR Westinghouse Rail Technology Co., Ltd.	1,140,160

	For the period from 1 January 2014 to 31 October 2014 *RMB*
Purchases from related parties	
Zhuzhou Shiling Transport Co.	52,735,030
Zhuzhou Siemens Traction Equipment Ltd.	7,805,056
Hunan CSR Westinghouse Rail Technology Co., Ltd.	13,040

The Group to joint ventures and associates generated sales of goods unrealised revenues and profits in case the other party is not foreign sales, the Group's sales revenue for unrealised profits confirmation and confirmation is limited to joint ventures and associates belonging to other parties part of that part of the revenue and profits generated by the transaction rata calculation of the Group's holdings are not recognised. When the Group is associated with joint ventures and associates to disclose transactions related to the amount of the Group's total sales revenue to joint ventures and associates, according to the corresponding part of the Group's stake is not deductible.

VIII.CONTINGENCIES

At the balance sheet date, the Group had no need to do or have to be disclosed.

IX. LEASING ARRANGEMENTS

Significant operating lease

According to the lease contract signed with the lessee, lease irrevocable minimum lease payments are as follows:

The Group

	31 October 2014 *RMB*
Within one year	32,124,118
More than one year but not exceed two years	27,170,189
More than two years but not exceed three years	22,354,755
More than three years	69,369,949
	151,019,011

X. COMMITMENTS

The Group

	31 October 2014 *RMB*
Capital commitments	
Contracted but not provided	3,781,512,450
Has been proved but not contracted	1,526,571,731
	5,308,084,181

	31 October 2014 *RMB*
Investment commitments	
Contracted but not perform	260,000,000
Has been proved but not contracted	15,300,000
	275,300,000

Commitment and interest in the joint venture

	31 October 2014 *RMB*
Capital commitments	
Contracted but not provided	42,968,466

XI. SUBSEQUENT BALANCE SHEET EVENTS

The Company convened the seventh meeting of the third session of the board of directors from 29 December to 30 December 2014, in which the company agreed to sign the "Merger Agreement between CSR Corporation Limited and China CNR Corporation Limited" with China CNR Corporation Limited ("CNR") (hereafter "Merger Agreement"). The Company will be in accordance with its own A shares exchange price of RMB5.63 per share and H shares exchange price of HK$7.32 per share and exchange for A shares and H shares of CNR. The Exchange Ratio is 1: 1.10, meaning that each CNR A share shall be exchanged for 1.10 A shares to be issued by the Company and that each CNR H share shall be exchanged for 1.10 H shares to be issued by the Company, which will be in exchange for all existing issued shares of CNR and complete the merger absorption of CNR.

The Merger Agreement will be effective upon approval by general meeting of shareholders of the Company and CNR respectively and relevant regulatory authorities.

XII. OTHER SIGNIFICANT EVENTS

1. Financial instruments and its risk

The Group's principal financial instruments included interest-bearing bank and other borrowings, cash and bank balances. The main purpose of these financial instruments was to finance for the Group's operations. The Group has various other financial assets and liabilities arising directly from its operations, such as notes receivable, trade receivables, dividends receivable, other receivables, long-term receivables, notes payable and accounts payable, etc.

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

Classification of financial instruments

The balance sheet date the book value of various types of financial instruments as follows:

31 October 2014

Financial assets

	Financial assets at fair value through profit and loss	Loans and receivables	Available for sale financial assets	Total
	RMB	*RMB*	*RMB*	*RMB*
Cash and bank balances	—	21,332,675,777	—	21,332,675,777
Trading financial assets	11,029,752	—	—	11,029,752
Notes receivable	—	4,654,245,612	—	4,654,245,612
Trade receivables	—	37,435,832,182	—	37,435,832,182
Dividends receivable	—	5,141,973	—	5,141,973
Other receivables	—	2,145,405,907	—	2,145,405,907
Loans and advances	—	102,900,000	—	102,900,000
Available for sale financial assets	—	—	1,582,848,590	1,582,848,590
Other non-current assets		672,036,513		672,036,513
Long-term receivables (including due one year)	—	5,722,602,222	—	5,722,602,222
	11,029,752	72,070,840,186	1,582,848,590	73,664,718,528

Financial liabilities

	Other financial liabilities *RMB*
Short-term borrowings	8,550,535,858
Short-term commercial paper payable	5,000,000,000
Notes payable	11,550,671,889
Accounts payable	40,608,000,010
Dividends payable	32,539,929
Interest payable	181,354,169
Other payables	4,696,419,774
Long-term borrowings (including within one year)	3,198,178,646
Bonds payable (including within one year)	3,700,000,000
Deposits and interbank deposits	6,708,915
Long-term payables (including within one year)	229,482,572
Employee benefits payable (excluding defined benefit plans)	1,744,134,058
	79,498,025,820

Credit risk

Credit risk means the risk of loss in respect of a financial instrument when the counterparty to the financial instrument cannot execute its obligations.

The Group only transacts with those third parties who are recognised as creditworthy. The Group's policy is to perform credit verification for all customers who have transactions with the Group. Further, credit limits, credit terms and sales methods are determined based on the credit ratings of customers.

For sales under credit terms, a sales contract shall stipulate the payment term and credit amounts. The payment date should not exceed the credit term, and the credit amount in aggregate should not exceed the credit limit.

For cash on delivery sales, goods are only delivered after the completion of cash collection procedures.

The Group's other financial assets include cash and cash equivalents, and other receivables. The credit risk of these financial assets arises from default of counterparties who transact with the Group, with a maximum exposure equal to the carrying amounts of these instruments.

The Group's principal customers are the Ministry of Railways and entities invested and managed by local railway departments. Since the Group only trades with third parties recognised to be creditworthy, no pledge of assets is required from the customers. Expect for the customer below, the Group had no other concentration credit risk.

For the Group's exposure to credit risk arising from Trade receivables quantitative data, refer to notes (V) 4.

Considered alone or in combination, there is no analysis of the duration of the impairment of financial assets is as follows:

31 October 2014

			Past due but not impaired		
	Total	Past due & impaired	Less than 3 months	3-6 months	For more than 6 months
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Notes receivable	4,654,245,612	4,654,245,612	—	—	—
Trade receivables	34,465,707,670	31,831,824,907	1,733,361,662	299,175,267	601,345,834
Loans and advances	102,900,000	102,900,000	—	—	—
Long-term receivables (within one year)	3,293,781,882	3,293,781,882	—	—	—

On 31 October 2014, not overdue and have not been impairment of receivables with a number of customers with no default record in the near future.

On 31 October 2014, without impairment of receivables overdue and the number of records and the Group has a good deal of independent customers. Based on past experience, as credit quality has not changed and is still considered the recent can be recovered in full, the Group considers that the requirement to make provision for impairment.

Liquidity risk

Liquidity risk refers to the risk of shortage of funding was encountered by enterprises in meeting obligations associated with financial liabilities.

The Group's goal was to using bill settlement, bank borrowings, short-term financing bonds and other financial instruments, take the appropriate combination of long-term and short-term financing way as well as method of optimal financing structure, maintain its financial balance between consistency and flexibility. The Group has bank credit obtained from several commercial banks to meet the demand for working capital and capital expenditures.

Management of the Group has been monitoring the liquidity position of the group, to ensure that it has sufficient liquidity to meet all financial obligations upon expiration of, and to maximize the financial resources of the Group.

Financial liabilities are not discounted by contractual maturity analysis cash flows are as follows:

31 October 2014 Financial liability

	Within 1 year (Including 1 year)	1 year to 2 years (Including 2 years)	2 years to 5 years (Including 5 years)	More than 5 years	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Short-term borrowing	8,681,102,289	—	—	—	8,681,102,289
Notes payable	11,550,671,889	—	—	—	11,550,671,889
Accounts payable	40,608,000,010	—	—	—	40,608,000,010
Short-term financing bills	5,025,205,479	—	—	—	5,025,205,479
Dividends payable	32,539,929	—	—	—	32,539,929
Interest payable	181,354,169	—	—	—	181,354,169
Other payables	4,696,419,774	—	—	—	4,696,419,774
Long-term borrowings	589,907,070	1,175,142,261	1,743,833,585	10,643,904	3,519,526,820
Bonds payable	188,900,000	188,900,000	2,550,012,291	1,760,547,945	4,688,360,236
Deposits from customers and interbank	6,732,396	—	—	—	6,732,396
Long-term payable	57,329,026	57,838,857	133,417,446	—	248,585,329
Employee benefits payable (Except for defined benefit plan)	1,744,134,058	—	—	—	1,744,134,058
	73,362,296,089	1,421,881,118	4,427,263,322	1,771,191,849	80,982,632,378

Market risk

Market risk refers to the fair value of financial instruments or future cash flow due to fluctuations in the market price changes and produce. Market risk includes interest rate risk, foreign exchange risk, and price risk.

Interest rate risk

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

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

Year ended 31 December 2014	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB
RMB	100	(48,245,139)

Foreign currency risk

Foreign currency risk means the risk of fluctuations in the fair value or future cash flows of financial instruments which arise from changes in exchange rates. The Group's foreign risk mainly arise from sales or purchases by operating units in currencies other than the units' functional currency and from net investments in foreign operations.

The Group's businesses are mainly located in the PRC and are mainly transacted and settled in RMB. Certain sales, purchases and borrowings are settled in foreign currencies. The fluctuation of the exchange rates of foreign currencies against RMB will affect the Group's results of operations.

The Group endeavours to reduce foreign currency risk to a minimum mainly by closely monitoring market exchange rate changes and actively adopting measures. For foreign business contracts under negotiation, the Group also requires price quotations to be based on the expected exchange rate changes. In negotiations, the Group also requires price quotations to be based on the expected exchange rate changes. When negotiating foreign business, the relevant terms should clearly state the scope of exchange rate fluctuations and the related risk to be borne by both the seller and buyer. For import activities, the relevant import entities are required to monitor the timing of settlement such that the appreciation of RMB can be utilised to reduce the cost of purchase.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Euro and US dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). In the opinion of the directors, as the currency exposures arising from possible changes in other currencies will not have any significant financial impact on the Group, the relative sensitivity is not disclosed.

31 October 2014	Increase/(decrease) in RMB exchange rate against Euro	Increase/(decrease) in profit before tax
If RMB weakens against Euro	9.89%	(110,412,966)
If RMB strengthens against Euro	-9.89%	110,412,966

31 October 2014	Increase/(decrease) in RMB exchange rate against US dollar	Increase/(decrease) in profit before tax
If RMB weakens against US dollar	1.06%	19,646,288
If RMB strengthens against US dollar	-1.06%	(19,646,288)

Other price risk

The Group is exposed to equity securities price risk because the fair value of certain available-for-sale financial assets and held-for-trading financial assets are measured by reference to quoted prices (except unlisted equity investment instruments). Therefore, the group undertakes the risks of the exchange in the securities market. Currently the group do not implement any hedge options to decrease the risk. However, the management closely monitors such risk by maintaining a portfolio of investments with different risks.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The Group finance team leads by the minister of finance, responsible for the fair value measurement of financial instruments policy and procedures. Finance team report directly to the chief accountant and the audit committee.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

(a) Financial assets measured at fair value:

As at 31 October 2014

	Level 1	Level 2	Level 3	Total	Valuation Technique (s) and key input (s)	Significant unobservable input (s)
Available-for-sale investments:						
— Equity investments	10,128,405	—	—	10,128,405	Note 1	Not Applicable
— Derivative Instruments	—	901,347	—	901,347	Note 2	Not Applicable
Held-for-trading financial assets:						
— Bank financial products	—	555,300,000	—	55,300,000	Note 3	Not Applicable
— Equity investments at fair value through profit or loss	898,634,825	—	—	898,634,825	Note 1	Not Applicable
	908,763,230	556,201,347	—	1,464,964,577		

Note 1: Quoted market price.

Note 2: Discounted cash flow calculation method. Future cash flows based on forward exchange rates (from the date the financial statements can be observed in the forward rate) and forward exchange contracts estimates and discount rate that reflects the credit risk of the counterparty to be discounted.

Note 3: Discounted cash flow calculation method, input is expected rate of return.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2.

(b) Financial instruments not measured at fair value

The manage had estimated Cash and bank balances, notes receivable, trade receivables, dividends receivable, other receivables, non-current assets due within one year, short-term borrowings, short-term financing bonds payables, notes payable, accounts payable, dividends payable, interest payable, other payables, non-current liabilities due within one year (long-term borrowings and long-term payables, etc.). Due to the short residual life, fair value was nearly the same to the book value.

Except for the above financial instruments, the following is the information of the fair value and the book value of the Group's other financial instruments:

	Book value 31 October 2014 *RMB*	**Fair value 31 October 2014** *RMB*
Fix rate other non-current assets	672,036,513	598,110,104
Fix rate long-term borrowing	1,121,436,689	1,083,824,979
Fix rate bonds payable (including due with one year)	3,700,000,000	3,532,918,004

The fair value of the long-term borrowings was determined by the principal input value of the discount rate using the interest rate of bank industry. The corporation bonds issued by the Company were traded in the China interbank bond market. The Fair value was provided by Chinese Central Securities Depository Trust & Clearing Co. Ltd. and determined by the principal input value of the discount rate using the present earning value method to reflect the credit spread. The input value used for measuring the long-term borrowings and the corporation bonds was classified into the second level.

2. Foreign financial assets and foreign financial liabilities

	1 January 2014	Changes in fair value recognised in profit or loss during the period	Accumulated fair value recorded in equity	31 October 2014
	RMB	*RMB*	*RMB*	*RMB*
Foreign financial assets				
Monetary fund	957,673,725	—	—	4,589,135,091
Trade receivables	1,416,028,174	—	—	2,012,821,871
Other receivables	30,139,997	—	—	65,473,965
Held for trading financial assets	6,745,853	3,382,552	—	10,128,405
Available-for-sale financial assets	667,951,745	—	228,778,880	896,730,625
	3,078,539,494	3,382,552	228,778,880	7,574,289,957
Foreign financial liabilities				
Short-term borrowing	1,505,243,022	—	—	2,581,844,544
Account payable	1,324,300,234	—	—	2,139,953,484
Other account payable	60,500,471	—	—	178,173,204
Long-term borrowing (Including due within one year)	72,368,677	—	—	1,578,593,363
	2,962,412,404	—	—	6,478,564,595

XIII. NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Bank and cash

	31 October 2014		
	Original currency	**Exchange rate**	**Convert into RMB**
Cash on hand			
RMB	68,947	1.0000	68,947
Bank deposit			
RMB	2,129,062,528	1.0000	2,129,062,528
United States Dollar	18,070	6.1461	111,060
Euro	22,026	7.7377	170,431
			2,129,344,019
Other monetary funds			
RMB	1,009,809,524	1.0000	1,009,809,524
			3,139,222,490

	31 October 2014 *RMB*
Use restricted monetary funds:	
Acceptance deposit	1,003,088,176
Guarantee deposit	6,721,348
	1,009,809,524

	31 October 2014 *RMB*
Three months or longer than three months remaining not mortgage/ pledge and the deposit is not restricted use	—

2. Other receivables

The aging analysis of other receivables is as follows:

	31 October 2014 *RMB*
Within 1 year	13,337,464,094
Less: Bad Debt Reserves of other receivables	—
	13,337,464,094

As at 31 October 2014, amount of other receivables due to related party is RMB13,330,246,794.

3. Long-term equity investments

	Period from 1 January to 31 October 2014			
	At 1 January 2014 *RMB*	**Increasing during the period** *RMB*	**Decreasing during the period** *RMB* *(Note 1)*	**At 31 October 2014** *RMB*
Cost method				
CSR Zhuzhou Electric Locomotive Co., Ltd.	4,404,367,415	—	(2,461,129)	4,401,906,286
CSR Ziyang Locomotive Co., Ltd.	935,719,381	—	(1,521,031)	934,198,350
CSR Qingdao Sifang Co., Ltd.	4,588,523,570	—	(2,207,162)	4,586,316,408
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	6,855,999,971	—	(2,176,012)	6,853,823,959
CSR Investment & Leasing Co., Ltd.	1,348,443,430	1,000,000,000	(495,937)	2,347,947,493
CSR Sifang Co., Ltd.	546,538,128	—	(1,192,658)	545,345,470
CSR Yangtze Co., Ltd.	2,489,386,345	11,000,000	(3,986,494)	2,496,399,851
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	1,637,034,207	—	(1,314,895)	1,635,719,312
CSR Shijiazhuang Rolling Stock Co., Ltd.	291,477,631	—	(868,086)	290,609,545

	Period from 1 January to 31 October 2014			
	At 1 January 2014 *RMB*	Increasing during the period *RMB*	Decreasing during the period *RMB* *(Note 1)*	At 31 October 2014 *RMB*
CSR Chengdu Locomotive & Rolling Stock Co., Ltd.	552,198,584	—	(1,111,508)	551,087,076
CSR Nanjing Puzhen Rolling Stock Co., Ltd.	1,785,686,110	—	(2,016,081)	1,783,670,029
CSR Erqi Co., Ltd	873,439,113	—	(1,322,839)	872,116,274
CSR Meishan Co., Ltd.	448,042,409	—	(1,250,986)	446,791,423
CSR Luoyang Locomotive Co., Ltd.	539,136,743	61,480,000	(1,783,211)	598,833,532
CSR Qishuyan Locomotive Co., Ltd.	1,209,672,109	—	(1,677,653)	1,207,994,456
CSR (Hong Kong) Co., Ltd.	352,857,532	—	(96,564)	352,760,968
CSR Zhuzhou Electric Co., Ltd.	856,965,681	100,000,000	(1,344,675)	955,621,006
CSR Corporation (Australia) PTY Ltd	6,709,600	—	—	6,709,600
CSR Finance Co., Ltd.	910,105,877	—	(6,011)	910,099,866
CSR international Co., Ltd.	600,101,805	—	(20,071)	600,081,734
	31,232,405,641	1,172,480,000	(26,853,003)	32,378,032,638
Equity method				
CSR Guangzhou Electric Locomotive Co., Ltd.	397,093,584	(1,230,472)	—	395,863,112
	397,093,584	(1,230,472)	—	395,863,112
	31,629,499,225	1,171,249,528	(26,853,003)	32,773,895,750

Note 1: The decrease of the long-term equity investment is mainly due to the failure of the second batch of the share options and recognition of the third batch of the share options in the current period which were granted to the subsidiary's employees in the previous year so that the investment in subsidiaries were net reduced by RMB26,853,003.

Note 2: No cash bonus during the current period.

4. Other non-current assets

	31 October 2014 *RMB*
Prepaid of additional share of subsidiary	394,690,000

5. Short-term borrowings

	31 October 2014 *RMB*
Credit loan	2,750,000,000

As at 31 October 2014, the annual interest rate of the above short-term borrowings is 5.40%-6.16%.

6. Short-term commercial paper payable

Period from 1 January to 31 October 2014

	At 1 January 2014 *RMB*	Increasing during the period *RMB*	Decreasing during the period *RMB*	At 31 October 2014 *RMB*
Short-term commercial paper payable	2,000,000,000	7,000,000,000	(4,000,000,000)	5,000,000,000

As at 31 October 2014, balance of short-term commercial paper payable is 5,000,000,000, Movment listed as below:

	Face value *RMB*	Issue date	Maturity	Par value *RMB*	Opening Interest payable *RMB*	Accrued Interest payable during the current period *RMB*	Interest paid during the current period *RMB*	Ending Interest payable *RMB*	At 31 October 2014 *RMB*
CSR Corporation Limited 2014 Commercial paper (The first phase of SCP) (14CSR SCP001)	2,000,000,000	26/02/2014	270days	2,000,000,000	—	66,666,666	—	66,666,666	2,000,000,000
CSR Corporation Limited 2014 Commercial paper (Third phase of SCP) (14CSR SCP003)	3,000,000,000	17/09/2014	90days	3,000,000,000	—	17,812,500	—	17,812,500	3,000,000,000
Total	5,000,000,000			5,000,000,000	—	84,479,166	—	84,479,166	5,000,000,000

7. Long-term borrowings

	31 October 2014 *RMB*
Credit loans	1,000,000,000

As at 31 October 2014, The annual interest rate of the above long-term borrowings is 4.7%.

8. Bonds payable

Period from 1 January to 31 October 2014

	At 1 January 2014 *RMB*	Increase during the current period *RMB*	At 31 October 2014 *RMB*
CSR Corporation Limited 2013 Corporation bonds (The first phase) 5 years	1,500,000,000	—	1,500,000,000
CSR Corporation Limited 2013 Corporation bonds (The first phase) 10 years	1,500,000,000	—	1,500,000,000
Total	3,000,000,000	—	3,000,000,000

As at 31 October 2014, Balance of Bonds payable listed as below:

	Face value *RMB*	Issue date	Maturity	Par value *RMB*	Opening Interest payable *RMB*	Accrued Interest during the current period *RMB*	Interest paid during the current period *RMB*	Ending Interest Payable *RMB*	At 31 October 2014 *RMB*
CSR Corporation Limited 2013 corporation bonds (The first phase) 5 years	1,500,000,000	22/04/2013	5 years	1,500,000,000	47,979,168	57,575,001	(69,129,168)	36,425,001	1,500,000,000
CSR Corporation Limited 2013 corporation bonds (The first phase) 10 years	1,500,000,000	22/04/2013	10 years	1,500,000,000	51,041,668	61,250,001	(73,541,668)	38,750,001	1,500,000,000
Total	3,000,000,000			3,000,000,000	99,020,836	118,825,002	(142,670,836)	75,175,002	3,000,000,000

9. Capital reserves

Period from 1 January to 31 October 2014

	Opening balance *RMB*	Increase during the current period *RMB*	Decrease during the current period *RMB*	Closing Balance *RMB*
Capital Premium	13,949,190,626	—	—	13,949,190,626
Share-based payment	79,248,279	—	(33,601,496)	45,646,783
	14,028,438,905	—	(33,601,496)	13,994,837,409

10. Surplus reserves

Period from 1 January to 31 October 2014

	Opening Balance *RMB*	Increase during the current period *RMB*	Closing Balance *RMB*
Legal Surplus	1,043,984,462	—	1,043,984,462

According to company law and articles of association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory Surplus reserve has reached 50% of the Company registered capital.

After Allotted Statutory Surplus Public Reserve, the company can appropriation of discretionary Surplus reserve, Free Surplus reserves could be used at cover the deficit for prior year or increasing share capital after authorization.

11. Retained earning

	Period from 1 January 2014 to 31 October 2014 *RMB*
Retained earnings at the opening of the period	4,342,970,161
Net profit in current period	49,323,715
Less: Appropriation to Statutory Surplus Reserve	—
Distribution to shareholders	1,242,270,000
Retained earnings at the end of the period	3,150,023,876

12. Operating income and costs

Operating income listed as below:

	Period from 1 January 2014 to 31 October 2014 *RMB*
Other operating income	158,293,519

Operating costs listed as below:

	Period from 1 January 2014 to 31 October 2014 *RMB*
Other operating costs	—

13. Investment income

	Period from 1 January 2014 to 31 October 2014 *RMB*
Long-term investment income using equity method	(886,481)
Including: Investment income from associated enterprises	(886,481)

14. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

		Period from 1 January 2014 to 31 October 2014 *RMB*
Reconciliation of net profit to cash flow from operating activities:		
Net profit		49,323,715
Add:	Depreciation of fixed assets	3,603,863
	Amortisation of intangible assets	4,020,517
	Share-based payment	(6,404,503)
	Financial expenses	481,504,939
	Losses arising from investments	886,481
	Increase in operating receivables	(93,779,600)
	Increase in operating payables	2,749,458,180
Net cash flow from operating activities		3,188,613,592

(2) Net changes in cash and cash equivalents:

	Period from 1 January 2014 to 31 October 2014 *RMB*
Closing balance of cash	2,129,412,966
Less: Opening balance of cash	2,280,233,767
Net increase in cash and cash equivalents	(150,820,801)

(3) Cash and cash equivalents

	Period from 1 January 2014 to 31 October 2014 *RMB*
Cash	
Including: Cash on hand	68,947
Bank demand deposits	2,129,344,019
Closing balance of cash and cash equivalents	2,129,412,966

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 OCTOBER 2014

1. NON-RECURRING PROFIT OR LOSS

	Period from 1 January 2014 to 31 October 2014 *RMB*
Profit or loss on disposal of non-current assets	(67,226,242)
For the government grants included in the current profits and losses, (related to the normal business operations, Comply with the regulations of State, as well as sustainably enjoy according to a fixed quantity or quota of the certain standard) Excluding Effective hedging operations	417,941,438
Which related to normal business operations, holding financial assets which are measured by fair value and their changes are recorded in current profit and loss, disposal of holding financial assets which are measured by fair value and their changes are recorded in current profit and loss and investment income from Available-for-sale financial assets	66,935,016
Net other operating income and cost excluding contents above	(69,940,382)
	347,709,830
Less: Income tax effects	52,156,474
Total non-recurring profit or loss after deduct Income tax effects	295,553,356
Less: Minority shareholders equity effects	82,034,986
	213,518,370

The group confirm Non-recurring profit or loss according to Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public — Non-recurring Profit or Loss (China Securities Regulatory Commission Announcement [2008] No. 43).

	Period from 1 January 2014 to 31 October 2014 *RMB*
Non-recurring profit and loss of Non-operating income	
Total gains on disposal of non-current assets	11,904,363
Including: Gains on disposal of fixed assets	11,397,198
Gains on disposal of Intangible assets	507,165
Gains of Donation	247,588
Government grants	417,941,438
Gains of Inventory surplus	1,256,921
Default compensation income	11,959,048
Accounts payables that cannot be settled	1,986,703
Fines on deposit of packing income	3,904,031
Others	29,423,173
Non-recurring profit and loss of Non-operating expense	
Total Loss on disposal of non-current assets	79,130,605
Including: Loss on disposal of fixed assets	79,130,605
Liquidated damages and fines expense	13,259,522
Relocation expense	85,631,460
Donation expense	247,788
Others	19,579,076

For the government grants included in the current profits and losses, because they are closely related to normal business operation, and comply with the state policy, as well as sustainably enjoy according to a fixed quantity or quota of the certain standard, for those items which do not constitute to non-recurring gains or losses are listed as follows:

	Period from 1 January 2014 to 31 October 2014 *RMB*
Value added tax refund	174,981,578
Reform of scientific research institutions	3,900,000

2. RETURN ON EQUITY AND EARNINGS PER SHARE

Period from 1 January 2014 to 31 October 2014

		EPS	
	ROEWA *(%)*	**Basic**	**Diluted**
Net profit attributable to shareholders of the parent	11.87	0.33	NOT APPLICABLE
The non-recurring profit and loss net profit attributable to shareholders of the parent	11.32	0.31	NOT APPLICABLE

9. THE RECONCILIATION OF FINANCIAL INFORMATION BETWEEN PRC GAAP AND IFRS

The GAAP Reconciliation has been prepared by the Directors of CSR by comparing the differences between the consolidated financial information of CSR prepared under Accounting Standards for Business Enterprises issued by the Ministry of Finance ("MOF") of the People's Republic of China to the consolidated financial information prepared under International Financial Reporting Standards for the ten months ended 31 October 2014.

Deloitte Touche Tohmatsu was engaged by CSR Group to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"("HKSAE 3000") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on the GAAP reconciliation.

INDEPENDENT ASSURANCE REPORT

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

21 January 2015

TO THE DIRECTORS OF CSR CORPORATION LIMITED

We have performed a reasonable assurance engagement on the reconciliation of the unaudited unadjusted financial information of CSR Corporation Limited ("CSR" or the "Company") prepared under Accounting Standards for Business Enterprises ("PRC GAAP") issued by the Ministry of Finance ("MOF") of the People's Republic of China ("PRC") for the ten months ended 31 October 2014, to the unaudited adjusted financial information prepared under International Financial Reporting Standards ("IFRS") as set out in the Appendix to this report (the "Reconciliation Information"), which was prepared by the directors of the Company in connection with the proposed merger with China CNR Corporation Limited ("CNR").

Respective Responsibilities of the Directors of the Company and the Reporting Accountant

The directors of the Company are solely responsible for preparing the Reconciliation Information in accordance with the Basis of Preparation set out in the Appendix to this report.

Our responsibility is to form a conclusion based on our work performed and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose as to whether:

(i) the "Unadjusted financial information under PRC GAAP" as set out in the section entitled "The Company's Unaudited Unadjusted Financial Information under PRC GAAP and Adjusted Financial Information under IFRS" in the Appendix to this report is in agreement with the audited consolidated financial statements for the ten months ended 31 October 2014 of the Company prepared under PRC GAAP (the "CSR Historical Track Record Accounts");

(ii) the adjustments set out in the section entitled "The Company's Unaudited Unadjusted Financial Information under PRC GAAP and Adjusted Financial Information under IFRS" in the Appendix to this report reflect, in all material respects, the differences applicable to CSR's financial information prepared under PRC GAAP and IFRS on the basis set out in the Basis of Preparation; and

(iii) the computation of the "Adjusted financial information under IFRS" set out in the section entitled "The Company's Unaudited Unadjusted Financial Information under PRC GAAP and Adjusted Financial Information under IFRS" in the Appendix to this report is arithmetically accurate.

We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of Conclusion

We conducted our reasonable assurance engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our work consisted primarily of:

(i) comparing the "Unadjusted financial information under PRC GAAP" as set out below in the section entitled "The Company's Unaudited Unadjusted Financial Information under PRC GAAP and Adjusted Financial Information under IFRS" in the Appendix to this report with the CSR Historical Track Record Accounts;

(ii) considering the adjustments made and evidence supporting the adjustments made in arriving at the "Adjusted financial information under IFRS" also set out in the section entitled "The Company's Unaudited Unadjusted Financial Information under PRC GAAP and Adjusted Financial Information under IFRS" in the Appendix to this report, which included examining the differences applicable to CSR's financial information prepared under PRC GAAP and IFRS on the basis set out in the Basis of Preparation; and

(iii) checking the arithmetic accuracy of the computation of the "Adjusted financial information under IFRS" in the section entitled "The Company's Unaudited Unadjusted Financial Information under PRC GAAP and Adjusted Financial Information under IFRS" in the Appendix to this report.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to provide reasonable assurance to support our conclusions.

The work carried out in connection with this engagement is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Accordingly, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a review. Consequently, we do not express an audit opinion or a review conclusion on the Reconciliation Information.

Conclusion

In our opinion:

(i) the "Unadjusted financial information under PRC GAAP" as set out in the section entitled "The Company's Unaudited Unadjusted Financial Information under PRC GAAP and Adjusted Financial Information under IFRS" in the Appendix to this report is in agreement with the CSR Historical Track Record Accounts;

(ii) the adjustments made in arriving at the "Adjusted financial information under IFRS" set out in the section entitled "The Company's Unaudited Unadjusted Financial Information under PRC GAAP and Adjusted Financial Information under IFRS " in the Appendix to this report reflect, in all material respects, the differences applicable to CSR's financial information prepared under PRC GAAP and IFRS on the basis set out in the Basis of Preparation; and

(iii) the computation of the "Adjusted financial information under IFRS" in the section entitled "The Company's Unaudited Unadjusted Financial Information under PRC GAAP and Adjusted Financial Information under IFRS" in the Appendix to this report is arithmetically accurate.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong,
21 January 2015

DIFFERENCES BETWEEN ACCOUNTING POLICIES ADOPTED BY THE COMPANY (ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES ISSUED BY THE MINISTRY OF FINANCE OF THE PEOPLE'S REPUBLIC OF CHINA ("PRC GAAP")) AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The accounting policies adopted in the preparation of the CSR Historical Track Record Accounts differ in certain material respects from IFRS. All the differences are presentational differences. Other than the presentation of land use rights as further explained below, other adjustments are reclassifications to conform with the presentation in accordance with IFRS and have no impact on net assets, total assets, total liabilities as at 31 October 2014 and profit and total comprehensive income for the ten months ended 31 October 2014.

In particular, disclosure is set out providing:

(a) a comparison between CSR's consolidated statement of profit or loss and other comprehensive income as extracted from the CSR Historical Track Record Accounts on the one hand (prepared in accordance with PRC GAAP), and a restatement of such consolidated statement of profit or loss and other comprehensive income had it instead been prepared in accordance with IFRS on the basis set out in the Basis of Preparation. The process applied in the preparation of such restatement is set out below;

(b) a comparison between CSR's consolidated statement of financial position as extracted from the CSR Historical Track Record Accounts on the one hand (prepared in accordance with PRC GAAP), and a restatement of such consolidated statement of financial position had it instead been prepared in accordance with IFRS on the basis set out in the Basis of Preparation. The process applied in the preparation of such restatement is also set out below; and

(c) a discussion of the material financial statements line item differences arising out of the restatement exercise outlined in (a) and (b) above.

Basis of Preparation

The Reconciliation Information as at and for the ten months ended 31 October 2014 restating the "Unadjusted financial information under PRC GAAP" of CSR as if it had been prepared in accordance with CSR's accounting policies which are in compliance with IFRS.

Reconciliation Process

The Reconciliation Information has been prepared by the directors of the Company by comparing the differences between the accounting policies adopted by CSR for the ten months ended 31 October 2014 which are prepared in accordance with PRC GAAP and accounting policies which are in compliance with IFRS.

THE COMPANY'S UNAUDITED UNADJUSTED FINANCIAL INFORMATION UNDER PRC GAAP AND ADJUSTED FINANCIAL INFORMATION UNDER IFRS

Consolidated Statement of Financial Position

	At 31 October 2014		
	Unadjusted financial information under PRC GAAP	**Presentational adjustments**	**Adjusted financial information under IFRS** (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Current assets			
Cash and bank balances	21,332,676	(3,655,322)	17,677,354
Pledged bank deposits	—	3,655,322	3,655,322
Financial assets at fair value through profit or loss	11,029	(901)	10,128
Derivative financial instruments	—	901	901
Bills receivable	4,654,246	—	4,654,246
Trade receivables	37,435,832	—	37,435,832
Advances to suppliers	5,138,428	(5,138,428)	—
Dividends receivable	5,142	(5,142)	—
Prepayments, deposits and other receivables	2,145,406	7,637,809	9,783,215
Inventories	31,127,605	—	31,127,605
Available-for-sale financial assets	555,300	—	555,300
Tax recoverable	—	27,560	27,560
Non-current assets due within one year	1,253,573	(1,253,573)	—
Other current assets	1,268,226	(1,268,226)	—
Total current assets	104,927,463	—	104,927,463

	At 31 October 2014		
	Unadjusted financial information under PRC GAAP	**Presentational adjustments**	**Adjusted financial information under IFRS** (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Loans and advances to customers	102,900	—	102,900
Available-for-sale financial assets	1,027,549	—	1,027,549
Long-term receivables	4,469,029	(4,469,029)	—
Long-term equity investments	3,160,999	(3,160,999)	—
Interests in joint ventures	—	2,167,280	2,167,280
Interests in associates	—	993,719	993,719
Property, plant and equipment	23,692,009	3,834,328	27,526,337
Construction in progress	3,834,328	(3,834,328)	—
Intangible assets	5,688,931	(5,688,931)	—
Other intangible assets	—	1,122,073	1,122,073
Development Expenditure	61,680	(61,680)	—
Prepaid lease payments	—	4,628,538	4,628,538
Goodwill	655,101	—	655,101
Long-term prepaid expenses	33,411	(33,411)	—
Deferred tax assets	1,088,746	—	1,088,746
Other non-current assets	1,318,521	4,502,440	5,820,961
Total non-current assets	45,133,204	—	45,133,204
Total assets	150,060,667	—	150,060,667

	At 31 October 2014		
	Unadjusted financial information under PRC GAAP	**Presentational adjustments**	**Adjusted financial information under IFRS** (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*
Liabilities and equity			
Current liabilities			
Shoart-term borrowings	8,550,536	5,463,254	14,013,790
Short-term financing bonds payable	5,000,000	(5,000,000)	—
Due to customers	6,709	—	6,709
Bills payable	11,550,672	—	11,550,672
Trade payables	40,608,000	—	40,608,000
Advance from customers	11,388,709	(11,388,709)	—
Employee benefits payable	1,878,274	(1,878,274)	—
Retirement benefit obligations - current portion	—	134,140	134,140
Tax payable	1,090,473	(473,634)	616,839
Dividends payable	32,540	(32,540)	—
Interest payable	181,354	(181,354)	—
Provision for warranties - current portion	—	901,110	901,110
Government grants- current portion	—	233,776	233,776
Other payables and accruals	4,696,419	14,023,047	18,719,466
Non-current liabilities due within one year	1,800,816	(1,800,816)	—
Total current liabilities	86,784,502	—	86,784,502

	At 31 October 2014		
	Unadjusted financial information under PRC GAAP	**Presentational adjustments**	**Adjusted financial information under IFRS** (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities			
Long-term borrowings	2,734,924	3,700,000	6,434,924
Bonds payable	3,700,000	(3,700,000)	—
Long-term payables	180,342	—	180,342
Provisions	2,134,885	(2,134,885)	—
Retirement benefit obligations — non-current portion	—	1,817,222	1,817,222
Provision for warranties — non-current portion	—	2,112,297	2,112,297
Government grants — non-current portion	—	1,969,023	1,969,023
Deferred tax liabilities	132,885	—	132,885
Other non-current liabilities	3,976,328	(3,763,657)	212,671
Total non-current liabilities	12,859,364	—	12,859,364
Total liabilities	99,643,866	—	99,643,866
Equity			
Shareholders' equity			
Share capital	13,803,000	—	13,803,000
Reserves	—	25,951,437	25,951,437
Capital reserve	9,959,711	(9,959,711)	—
Statutory reserve	1,043,985	(1,043,985)	—
General risk provision	49,859	(49,859)	—
Retained earnings	14,738,536	(14,738,536)	—
Other comprehensive income	159,346	(159,346)	—
Equity attributable to owners of the Company	39,754,437	—	39,754,437
Minority interests	10,662,364	—	10,662,364
Total equity	50,416,801	—	50,416,801
Total liabilities and equity	150,060,667	—	150,060,667

Consolidated Statement of Profit or Loss And Other Comprehensive Income

	Ten months ended 31 October 2014		
	Unadjusted financial information under PRC GAAP *RMB'000*	**Presentational adjustments** *RMB'000*	**Adjusted financial information under IFRS** *RMB'000*
Revenue	94,677,259	(1,084,983)	93,592,276
Cost of sales	(74,019,300)	76,419	(73,942,881)
Sales tax	(511,076)	511,076	—
Other income and gains and losses	—	1,040,368	1,040,368
Selling and distribution expenses	(4,056,641)	—	(4,056,641)
Administrative expenses	(8,424,138)	(142,436)	(8,566,574)
Other expenses	—	(721,091)	(721,091)
Finance costs	(469,880)	(178,913)	(648,793)
Impairment losses of assets	(1,029,565)	1,029,565	—
Changes in fair value	(11)	11	—
Investment income	331,422	(331,422)	—
Share of profits and losses of:			
Joint ventures	—	272,339	272,339
Associates	—	(11,276)	(11,276)
Operating profit	6,498,070	459,657	6,957,727
Non-operating income	657,505	(657,505)	—
Non-operating expenses	(197,848)	197,848	—
Profit before taxation	6,957,727	—	6,957,727
Income tax expenses	(1,213,990)	—	(1,213,990)
Profit for the period	5,743,737	—	5,743,737

	Ten months ended 31 October 2014		
	Unadjusted financial information under PRC GAAP *RMB'000*	**Presentational adjustments** *RMB'000*	**Adjusted financial information under IFRS** *RMB'000*
Profit for the year attributable to			
Owners of the Company	4,545,273	—	4,545,273
Non-controlling interests	1,198,464	—	1,198,464
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit pension plans	(140,381)	—	(140,381)
Available-for-sale assets: changes in fair value (net of tax)	82,823	—	82,823
Exchange differences arising on translation	(80,559)	—	(80,559)
Other comprehensive income: for the period, net of income tax	(138,117)	—	(138,117)
Total comprehensive income for the period	5,605,620	—	5,605,620
Total comprehensive income for the period attributable to Owners of the Company	4,487,489	—	4,487,489
Total comprehensive income attributable to Non-controlling interests	1,118,131	—	1,118,131

Note:

Presentational adjustments:

All adjustments are reclassifications to conform with the presentation in accordance with IFRS and have no impact on net assets, total assets, total liabilities as at 31 October 2014 and profit and total comprehensive income for the ten months ended 31 October 2014.

FINANCIAL INFORMATION ON CNR GROUP

1 CNR FINANCIAL INFORMATION

CNR has published its annual financial information which is in accordance with IFRS for the financial year ended 31 December 2011, 2012 and 2013 in the prospectus released on 12 May 2014 ("**Prospectus**") and the consolidated financial information as at and for the six months ended 30 June 2014 (with 2013 comparatives) are included in the interim report published by CNR on 11 September 2014. The details of the above financial information can be found on the Hong Kong Stock Exchange's website at www.hkexnews.hk and CNR's website at www.chinacnr.com.

The audited consolidated financial statements of CNR as of and for each of the years ended 31 December 2012 and 2013 and for the ten months ended 31 October 2014 have been prepared by the board of directors in accordance with PRC GAAP as set forth in Section 7 have been derived from audited consolidated financial statements for the relevant periods.

2 FINANCIAL SUMMARY

The following financial information is extracted from the audited consolidated financial statements for the financial year ended 31 December 2011, 2012 and 2013 in the Prospectus and the unaudited consolidated financial statements in CNR interim results announcement for the six months ended 30 June 2014.

The auditor of CNR, KPMG, did not express qualified audit opinion on the audited consolidated financial statements for the financial year ended 31 December 2011, 2012 and 2013.

Selected items from consolidated statements of profit or loss

	Years ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	88,810,826	91,798,238	96,756,070	36,743,539	38,654,423
Profit before taxation	3,655,045	4,187,436	5,099,131	1,979,112	2,891,309
Income tax	(510,495)	(603,108)	(873,128)	(354,225)	(492,615)
Profit for the year/(period)	3,144,550	3,584,328	4,226,003	1,624,887	2,398,694
Attributable to:					
Equity shareholders of the Company	3,024,638	3,430,806	4,128,559	1,563,182	2,323,077
Non-controlling interests	119,912	153,522	97,444	61,705	75,617
Earnings per share:					
— Basic earnings per share *(RMB)*	0.34	0.34	0.40	0.15	0.22
— Diluted earnings per share *(RMB)*	0.34	0.34	0.40	0.15	0.22

3 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following financial information prepared under IFRS is extracted from the accountants' report set out in CNR Prospectus released on 12 May 2014.

A FINANCIAL INFORMATION

1 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Years ended 31 December		
	Section B Note	**2011** *RMB'000*	**2012** *RMB'000*	**2013** *RMB'000*
Revenue	3	**88,810,826**	**91,798,238**	**96,756,070**
Cost of sales		(77,090,955)	(78,706,746)	(80,103,393)
Gross profit		**11,719,871**	**13,091,492**	**16,652,677**
Other revenue	4	609,872	697,774	583,771
Other net loss	4	(128,510)	(60,828)	(230,650)
Selling and distribution expenses		(1,468,869)	(1,722,959)	(2,018,084)
Administrative expenses		(6,075,014)	(6,875,741)	(8,783,823)
Profit from operations		**4,657,350**	**5,129,738**	**6,203,891**
Finance costs	5(a)	(1,247,501)	(1,180,961)	(1,395,424)
Share of profits of associates		159,856	119,777	110,651
Share of profits of joint ventures		85,340	118,882	180,013
Profit before taxation	5	**3,655,045**	**4,187,436**	**5,099,131**
Income tax	6	(510,495)	(603,108)	(873,128)
Profit for the year		**3,144,550**	**3,584,328**	**4,226,003**
Profit attributable to:				
Equity shareholders of the Company		3,024,638	3,430,806	4,128,559
Non-controlling interests		119,912	153,522	97,444
Profit for the year		**3,144,550**	**3,584,328**	**4,226,003**
Earnings per share	10			
Basic earnings per share *(RMB)*	10(a)	0.34	0.34	0.40
Diluted earnings per share *(RMB)*	10(b)	0.34	0.34	0.40

2 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Section B Note	Years ended 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000
Profit for the year		**3,144,550**	**3,584,328**	**4,226,003**
Other comprehensive income	9			
Items that will not be reclassified to profit or loss:				
Remeasurement of net defined benefit liabilities	28(b)	(84,826)	(34,742)	14,900
		(84,826)	(34,742)	14,900
Items that maybe reclassified subsequently to profit or loss:				
Cash flow hedge: net movement in the hedging reserve		14,726	—	—
Available-for-sale investments: net movement in the fair value reserve		(127,901)	5,346	4,135
Exchange differences on translation of financial statements of overseas subsidiary		—	—	(98)
		(113,175)	5,346	4,037
Others comprehensive income for the year		**(198,001)**	**(29,396)**	**18,937**
Total comprehensive income for the year		**2,946,549**	**3,554,932**	**4,244,940**
Total comprehensive income attributable to:				
Equity shareholders of the Company		2,826,558	3,402,001	4,147,871
Non-controlling interests		119,991	152,931	97,069
Total comprehensive income for the year		**2,946,549**	**3,554,932**	**4,244,940**

3 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
	Section B Note	**2011** *RMB'000*	**2012** *RMB'000*	**2013** *RMB'000*
Non-current assets				
Property, plant and equipment	11	22,062,263	25,295,354	27,997,062
Lease prepayments	12	8,698,547	9,126,850	9,966,563
Goodwill	13	—	13,557	13,557
Intangible assets	14	343,425	348,302	639,805
Interest in associates	16	1,050,573	1,004,864	1,040,052
Interest in joint ventures	17	703,031	783,053	944,177
Deferred tax assets	30(b)	252,104	286,085	451,337
Other non-current assets	18	1,927,137	5,437,275	8,376,952
Total non-current assets		**35,037,080**	**42,295,340**	**49,429,505**
Current assets				
Inventories	20	31,119,462	24,714,198	18,636,790
Trade and bills receivables	21	16,737,917	22,715,011	31,922,635
Prepayments, deposits and other receivables	22	8,387,542	7,784,130	10,828,672
Income tax recoverable	30(a)	39,453	45,502	9,269
Restricted deposits	23	149,466	206,548	1,084,981
Banks deposits with original maturities over three months		—	441,512	1,132,657
Cash and cash equivalents	24	5,894,744	8,379,753	7,114,408
Total current assets		**62,328,584**	**64,286,654**	**70,729,412**
Current liabilities				
Interest-bearing loans and borrowings	25(b)	18,198,372	20,095,074	20,609,153
Trade and bills payables	26	30,800,402	33,347,494	36,026,256
Other payables and accruals	27	15,346,463	10,807,293	16,063,130
Defined benefit obligations	28	290,621	264,611	247,518
Income tax payable	30(a)	156,030	273,238	521,657
Provision for warranties	31	483,229	471,558	535,900
Total current liabilities		**65,275,117**	**65,259,268**	**74,003,614**
Net current liabilities		**2,946,533**	**972,614**	**3,274,202**
Total assets less current liabilities		**32,090,547**	**41,322,726**	**46,155,303**

	Section B Note	At 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000
Non-current liabilities				
Interest-bearing loans and borrowings	25(a)	225,160	25,533	1,415,277
Defined benefit obligations	28	2,444,957	2,229,720	2,131,239
Deferred tax liabilities	30(b)	682	786	1,183
Other non-current liabilities	32	3,254,929	2,818,110	3,041,969
Total non-current liabilities		**5,925,728**	**5,074,149**	**6,589,668**
NET ASSETS		**26,164,819**	**36,248,577**	**39,565,635**
CAPITAL AND RESERVES				
Share capital	33(c)	8,300,000	10,320,056	10,320,056
Reserves		16,542,107	24,351,079	27,460,286
Total equity attributable to the equity shareholders of the Company		**24,842,107**	**34,671,135**	**37,780,342**
Non-controlling interests		**1,322,712**	**1,577,442**	**1,785,293**
TOTAL EQUITY		**26,164,819**	**36,248,577**	**39,565,635**

4 STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Section B Note	At 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000
Non-current assets				
Property, plant and equipment	11	50,969	137,933	36,423
Lease prepayments	12	27,266	30,997	—
Intangible assets	14	24,765	48,225	46,580
Investments in subsidiaries	15	19,858,006	27,308,671	29,541,690
Interest in associates		494,879	472,296	452,449
Deferred tax assets		2,489	5,766	3,913
Other non-current assets	18	5,041,680	10,819,685	15,762,428
Total non-current assets		**25,500,054**	**38,823,573**	**45,843,483**

		At 31 December		
	Section B Note	**2011** *RMB'000*	**2012** *RMB'000*	**2013** *RMB'000*
Current assets				
Inventories		27,027	21,175	—
Trade and bills receivables	21	22,511	50,732	1,001,871
Prepayments, deposits and other receivables	22	11,683,455	12,838,603	10,131,440
Income tax recoverable		3,421	—	—
Cash and cash equivalents	24	891,117	1,163,852	286,922
Total current assets		**12,627,531**	**14,074,362**	**11,420,233**
Current liabilities				
Interest-bearing loans and borrowings	25(b)	14,337,852	19,884,474	23,029,169
Trade and bills payables		18,767	55,442	1,110,763
Other payables and accruals	27	753,481	1,067,277	513,040
Income tax payable		—	—	32,541
Total current liabilities		**15,110,100**	**21,007,193**	**24,685,513**
Net current liabilities		**2,482,569**	**6,932,831**	**13,265,280**
Total assets less current liabilities		**23,017,485**	**31,890,742**	**32,578,203**

		At 31 December		
	Section B Note	**2011** *RMB'000*	**2012** *RMB'000*	**2013** *RMB'000*
Non-current liabilities				
Interest-bearing loans and borrowings	25(a)	—	—	490,000
Other non-current liabilities		4,411	3,044	4,319
Total non-current liabilities		**4,411**	**3,044**	**494,319**
NET ASSETS		**23,013,074**	**31,887,698**	**32,083,884**
CAPITAL AND RESERVES	33			
Share capital	33(c)	8,300,000	10,320,056	10,320,056
Reserves		14,713,074	21,567,642	21,763,828
TOTAL EQUITY		**23,013,074**	**31,887,698**	**32,083,884**

5 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity shareholders of the Company								
	Note	**Share capital** *RMB'000 Section B note 33(c)*	**Capital reserve** *RMB'000 Section B note 33(d)(i),(ii)*	**Fair value reserve** *RMB'000*	**Hedging reserve** *RMB'000*	**PRC statutory reserve** *RMB'000 Section B note 33(d)(iii)*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2011		**8,300,000**	**11,687,500**	**136,466**	**(14,726)**	**161,344**	**3,189,842**	**23,460,426**	**1,215,766**	**24,676,192**
Changes in equity:										
Profit for the year		—	—	—	—	—	3,024,638	3,024,638	119,912	3,144,550
Other comprehensive income		—	(84,905)	(127,901)	14,726	—	—	(198,080)	79	(198,001)
Total comprehensive income for the year		—	(84,905)	(127,901)	14,726	—	3,024,638	2,826,558	119,991	2,946,549
Acquisition of a subsidiary under common control	38(a)	—	(1,002,799)	—	—	—	—	(1,002,799)	—	(1,002,799)
Acquisition of non-controlling interests without change in control		—	(828)	—	—	—	—	(828)	(2,164)	(2,992)
Capital contributions from non-controlling equity owners		—	—	—	—	—	—	—	56,350	56,350
Appropriation of reserve		—	—	—	—	85,531	(85,914)	(383)	(255)	(638)
Dividends paid by subsidiaries to non-controlling equity owners		—	—	—	—	—	—	—	(66,976)	(66,976)
Dividends paid to original equity owners		—	—	—	—	—	(25,867)	(25,867)	—	(25,867)
Dividends proposed during the year	33(b)	—	—	—	—	—	(415,000)	(415,000)	—	(415,000)
Balance at 31 December 2011		**8,300,000**	**10,598,968**	**8,565**	**—**	**246,875**	**5,687,699**	**24,842,107**	**1,322,712**	**26,164,819**

		Attributable to equity shareholders of the Company							
	Note	**Share capital** *RMB'000 Section B note 33(c)*	**Capital reserve** *RMB'000 Section B note 33(d)(i),(ii)*	**Fair value reserve** *RMB'000*	**PRC statutory reserve** *RMB'000 Section B note 33(d)(iii)*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2012		**8,300,000**	**10,598,968**	**8,565**	**246,875**	**5,687,699**	**24,842,107**	**1,322,712**	**26,164,819**
Changes in equity:									
Profit for the year		—	—	—	—	3,430,806	3,430,806	153,522	3,584,328
Other comprehensive income		—	(34,151)	5,346	—	—	(28,805)	(591)	(29,396)
Total comprehensive income for the year		—	(34,151)	5,346	—	3,430,806	3,402,001	152,931	3,554,932
Capital contribution from right issues	33(c)	2,020,056	4,853,585	—	—	—	6,873,641	—	6,873,641
Capital contribution from equity shareholders		—	65,559	—	—	—	65,559	—	65,559
Acquisition of subsidiaries	38(c)	—	—	—	—	—	—	32,339	32,339
Capital contributions from non-controlling equity owners		—	—	—	—	—	—	200,040	200,040
Equity-settled share-based transaction		—	5,343	—	—	—	5,343	44	5,387
Appropriation of reserve		—	—	—	252,660	(254,173)	(1,513)	(1,504)	(3,017)
Dividends paid by subsidiaries to non-controlling equity owners		—	—	—	—	—	—	(129,120)	(129,120)
Dividends proposed during the year	33(b)	—	—	—	—	(516,003)	(516,003)	—	(516,003)
Balance at 31 December 2012		**10,320,056**	**15,489,304**	**13,911**	**499,535**	**8,348,329**	**34,671,135**	**1,577,442**	**36,248,577**

	Note	Attributable to equity shareholders of the Company								
		Share capital	Capital reserve	Fair value reserve	PRC statutory reserve	Retained profits	Exchange reserve	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Section B note 33(c)	*Section B note 33(d)(i),(ii)*			*Section B note 33(d)(iii)*				
At 1 January 2013		**10,320,056**	**15,489,304**	**13,911**	**499,535**	**8,348,329**	**—**	**34,671,135**	**1,577,442**	**36,248,577**
Changes in equity:										
Profit for the year		—	—	—	—	4,128,559	—	4,128,559	97,444	4,226,003
Other comprehensive income		—	15,275	4,135	—	—	(98)	19,312	(375)	18,937
Total comprehensive income for the year		—	15,275	4,135	—	4,128,559	(98)	4,147,871	97,069	4,244,940
Acquisition of operating business under common control	38(b)	—	(109,933)	—	—	14,043	—	(95,890)	—	(95,890)
Acquisition of non-controlling interests without change in control		—	(275)	—	—	—	—	(275)	(6,881)	(7,156)
Acquisition of subsidiary	38(c)	—	—	—	—	—	—	—	15,679	15,679
Capital contributions from non-controlling equity owners		—	30,575	—	—	—	—	30,575	123,749	154,324
Equity-settled share-based transaction		—	32,895	—	—	—	—	32,895	307	33,202
Appropriation of reserve		—	—	—	152,581	(126,544)	—	26,037	1,144	27,181
Dividends paid by subsidiaries to non-controlling equity owners		—	—	—	—	—	—	—	(23,216)	(23,216)
Dividends proposed during the year	33(b)	—	—	—	—	(1,032,006)	—	(1,032,006)	—	(1,032,006)
Balance at 31 December 2013		**10,320,056**	**15,457,841**	**18,046**	**652,116**	**11,332,381**	**(98)**	**37,780,342**	**1,785,293**	**39,565,635**

6 CONSOLIDATED CASH FLOW STATEMENTS

		Years ended 31 December		
	Section B Note	**2011** *RMB'000*	**2012** *RMB'000*	**2013** *RMB'000*
Cash flows from operating activities				
Profit before taxation		3,655,045	4,187,436	5,099,131
Adjustments for:				
Depreciation	5(c)	1,228,373	1,472,595	1,955,306
Amortisation	5(c)	228,747	250,525	245,935
Net loss on disposal of property, plant and equipment	4	6,311	20,641	10,614
Net (gain)/loss on disposal of lease prepayments and other intangible assets		(766)	11	—
Impairment losses of inventory	5(c)	134,583	101,110	148,260
Impairment losses on trade and other receivables	5(c)	121,578	125,635	904,844
Impairment losses on non-current assets	5(c)	1,862	(753)	84,673
Impairment losses on plant and machinery	5(c)	—	9,455	1,246
Interest income		(17,500)	(7,642)	(28,251)
Finance costs		859,667	998,887	1,089,631
Net foreign exchange loss/(gain)		74,820	(2,041)	33,124
Share of profits of associates and joint ventures		(245,196)	(238,659)	(290,664)
Net loss on disposal of other financial assets and investments		8,462	120	44,919
Dividend income	4	(2,867)	(1,744)	(5,693)
Net (gain)/loss on financial assets at fair value through profit or loss	4	(30,812)	(1,511)	6,069
Equity-settled share-based payment expenses	5(b)	—	5,387	33,202

	Section B Note	Years ended 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000
Changes in working capital:				
(Increase)/decrease in inventories		(6,795,634)	6,518,272	5,921,019
Increase in trade and bills receivables		(5,435,783)	(5,944,494)	(9,893,876)
Decrease/(increase) in deposits, prepayments and other receivables		1,599,900	(2,734,319)	(7,171,779)
Increase/(decrease) in trade and other payables		2,566,547	(1,970,277)	8,513,930
(Decrease)/increase in provision for warranty		(167,293)	11,671	(64,342)
Increase/(decrease) in net defined benefit retirement obligation		300,947	(275,989)	(100,674)
Increase in restricted deposit		(62,720)	(157,081)	(878,433)
Cash (used in)/generated from operations		**(1,971,729)**	**2,367,235**	**5,658,191**
Income tax paid		(545,465)	(571,335)	(771,408)
Net cash (used in)/generated from operating activities		**(2,517,194)**	**1,795,900**	**4,886,783**

	Section B Note	Years ended 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000
Cash flows from investing activities				
Payments for purchase of property, plant and equipment, lease prepayments and intangible assets		(7,569,049)	(6,119,001)	(5,326,842)
Net cash acquired from business combinations		—	81,999	—
Acquisition of subsidiaries		—	(64,182)	(3,708)
Payments for acquisition of associates and joint ventures		(454,242)	(998)	(25,010)
Payment for disposal of financial assets		(28,035)	(7,951)	(467)
Dividends received		86,442	83,653	46,954
Proceeds from disposal of property, plant and equipment, lease prepayments and intangible assets		46,221	45,103	49,119
Proceeds from disposal of financial instruments		29,888	10,590	12,908
Proceeds from disposal of the interest of joint ventures		—	—	129
Withdrawal of bank deposit with maturity over three months		16,181	7,519	935,574
Government grants received		105,401	428,420	219,650
Payment for purchase of financial assets		—	(9,411)	(11,321)
Increase in deposits with banks		—	(441,512)	(1,612,962)
Net cash used in investing activities		**(7,767,193)**	**(5,985,771)**	**(5,715,976)**

	Section B Note	Years ended 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000
Cash flows from financing activities				
Payments for acquisition of subsidiaries under common control		(1,002,799)	—	(85,093)
Acquisition of non-controlling interests without change in control		(2,992)	—	(6,289)
Repayment of principles and interests under finance lease		(52,949)	(839,538)	—
Proceeds from issuance of short-term inter-bank corporate bonds		7,972,000	13,966,000	15,968,568
Repayment of short-term inter-bank corporate bonds		(3,975,797)	(7,971,878)	(19,957,118)
Proceeds from bank loans and borrowings		42,608,914	38,044,628	69,546,851
Repayment of bank loan and borrowings		(34,108,648)	(41,722,559)	(63,691,943)
Capital contributions from non-controlling equity owners of subsidiaries		56,350	200,000	91,988
Proceeds from right issues		—	6,873,641	—
Payments of dividends		(495,285)	(681,070)	(1,087,540)
Payment of interest expense		(843,370)	(1,196,759)	(1,195,016)
Cash received under finance lease		809,045	—	—
Net cash generated from/(used in) financing activities		**10,964,469**	**6,672,465**	**(415,592)**
Net increase/(decrease) in cash and cash equivalents		**680,082**	**2,482,594**	**(1,244,785)**
Cash and cash equivalents at beginning of year		**5,242,324**	**5,894,744**	**8,379,753**
Effect of foreign exchange rate changes		(27,662)	2,415	(20,560)
Cash and cash equivalents at end of year	24	**5,894,744**	**8,379,753**	**7,114,408**

B NOTES TO THE FINANCIAL INFORMATION

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

The Company was established as a joint stock company with limited liability in Beijing, the People's Republic of China ("PRC") on 26 June 2008, and the head office is located in No.15 Building, Fang Cheng Yuan Area One, Fengtai District, Beijing.

The Group is principally engaged in manufacturing, sales and refurbishment of rolling stock, including locomotives, passenger coaches, freight wagons, MUs, rapid transit vehicles and railway machinery and equipment; production of mechanical and electric products, including electric motors, alternators, diesel engines, control devices, electric/electronic components and other components for use in rail and non-rail industries; financing lease of engineering machine and equipment, trading of raw materials, and engineering, procurement and construction ("EPC") services for rail-related construction projects; and manufacturing and providing system solution of clean energy and environmental protection equipment and systems, such as wind power generators and wind turbines, electric vehicles, sewage/waste recycle and disposal systems.

(b) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which includes International Financial Reporting Standards, International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2013 are set out in note 40.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKSE").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Company and its subsidiaries established in the PRC and Hong Kong ("PRC and Hong Kong subsidiaries") carrying on the principal activities of the Group. The functional currency of the Company's subsidiary in Czech Republic is Czech Koruna ("CZK").

The measurement basis used in the preparation of the Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— financial instruments classified as available-for-sale (see note 1(i)); and

— derivative financial instruments (see note 1(j)).

(d) Use of estimates and judgments

The preparation of the Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity owners/shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statements of financial position in accordance with notes 1(t) or (u) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(i)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(f)).

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(p)).

(f) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the Financial Information under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(g) and (p)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post- tax results of the investees and any impairment losses for the year are recognized in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statements of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associates or the joint ventures, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associates or the joint ventures.

Unrealized profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(i)).

In the Company's statements of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 1(p)).

(g) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, which is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(p)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Business combination

Business combination represents transaction which combines two or more separate businesses into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations involving entities not under common control.

(i) Business combinations involving entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the equity shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the Track Record Period or, if later, at the date that common control was established. The assets and liabilities acquired are recognized at the carrying amounts from the perspective of the Group's controlling shareholder. The components of equity of the acquired entities are added to the same components within the Group's equity and any gain/loss arising is recognized directly in equity.

(ii) Business combinations involving entities not under common control

Business combinations not under common control are business combinations in which the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination. In a business combination not under common control, the party which obtains control of other combining enterprise(s) on the purchase date is the acquirer, other combining enterprise(s) is (are) the acquirees. The "acquisition date" refers to the date on which the acquirer obtains control of the acquirees.

The acquirer shall measure the assets acquired and liabilities incurred or assumed as consideration of the business combination at their fair values on the acquisition date.

Where the sum of the fair value of combination cost paid (or the fair value of the equity securities issued) and the fair value of shareholding of the acquiree held by the acquirer before the combination date exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. Where the sum of the fair value of combination cost paid (or the fair value of the equity securities issued) and the fair value of shareholding of the acquiree held by the acquirer before the combination date is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall reassess the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the sum of the fair value of combination cost paid (or the fair value of the equity securities issued) and the fair value of shareholding of the acquiree held by the acquirer before the combination date is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference immediately in profit or loss for the current period.

(i) Other investments in equity securities

The Group's and the Company's policies for investments in unquoted equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in unquoted equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are subsequently accounted for in the statements of financial position at cost less impairment losses (see note 1(p)).

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognized in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in profit or loss. The net gain or loss recognized in profit or loss does not include any dividends or interest earned on these investments as theses are recognized in accordance with the policies set out in note 1(z)(v) and(vi).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognized in the statements of financial position at cost less impairment losses (see note 1(p)). Dividend income from equity securities calculated using the effective interest method are recognized in profit or loss in accordance with the policies set out in notes 1(z)(v) and 1(z)(vi), respectively.

When the investments are derecognised or impaired (see note 1(p)), the cumulative gain or loss recognized in equity is reclassified to profit or loss. Investments are recognized/derecognised on the date the Group commits to purchase/sell the investments.

(j) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(k)).

(k) Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognized in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognized immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognized).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognized in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(l) Investment property

Investment properties are land and building which are owned or held under a leasehold interest (see note 1(o)) to earn rental income and/or for capital appreciation.

Investment properties are stated a cost less accumulated depreciation and impairment losses (see note 1(p)). The depreciation policy is the same as that of property, plant and equipment (see note 1(m)). Rental income from investment properties is accounted for as described in note 1(z)(iv).

(m) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(p)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(bb)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold improvements are depreciated over the shorter of the unexpired term of lease and their estimated useful lives	
— Land, buildings and structures	20-50 years
— Equipment	10-28 years
— Motor vehicles	5-15 years
— Furniture, fixtures and others	5-12 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(n) Intangible assets (other than goodwill)

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(bb)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(p)). Other development expenditure is recognized as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(p)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

—	Patents and trademarks	10 years
—	Computer software and others	2-10 years

(o) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases except for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets is included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(m). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(p). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(p) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for- sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it is becoming probable that the debtor will enter bankruptcy or other financial reorganization;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

— For investments in subsidiaries, associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 1(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(p)(ii). The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount in accordance with note 1(p)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

— For available-for-sale securities, the cumulative loss that has been recognized in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

Impairment losses recognized in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognized in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade and bills receivables and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against the respective receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

— property, plant and equipment;

— investment property;

— lease prepayments;

— goodwill;

— intangible assets; and

— investments in subsidiaries, associates and joint ventures.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(q) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula or first-in, first-out formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(r) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for construction contract revenue is set out in note 1(z)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognized as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognized as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognized profit less recognized losses and progress billings, and are presented in the statements of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and bills receivable".

(s) Trade, bills and other receivables

Trade, bills and other receivables are initially recognized at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(p)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(t) Interest-bearing borrowings

Interest-bearing borrowings are initially recognized at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(u) Trade, bills and other payables

Trade, bills and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance, trade, bills and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(w) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. The calculation is performed by a qualified actuary using the projected unit credit method (see note 28).

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognized in profit or loss and allocated by function as "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognized as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognized. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the market yield at the end of the reporting period on government bonds that have maturity dates approximating the terms of the group's obligations.

Remeasurements arising from defined benefit retirement plans are recognized in other comprehensive income and reflected in equity. Remeasurements comprise actuarial gains and losses.

(iii) Termination and early retirement benefit

Termination and early retirement benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iv) Share-based payments

The fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted, further details of which are given in note 29 to the financial statements. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged / credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognized in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(x) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to business combinations, or items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statements of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the statements of financial position date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

— the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(y) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognized at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognized at the higher of the amount initially recognized, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(y)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 1(y)(ii).

(ii) Other provisions and contingent liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(z) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sales of goods

Sales of goods revenue is recognized when the Group sells locomotives (including multiple units), urban rail vehicles, construction machinery, electromechanical equipment, and materials etc. Revenue is recognized when goods are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rendering of services

Rendering of services revenue is recognized when the Group provides refurbishment service of locomotives (including multiple units), urban rail vehicles, construction machinery, and electromechanical equipment etc.

Revenue from the rendering of services is recognized in the statements of profit or loss by reference to the stage of completion of the transaction based on the process of work performed, as further explained in the accounting policy for "Construction contract revenue"(see note 1(z)(iii)).

(iii) Construction contract revenue

When the outcome of a construction contract can be estimated reliably:

The completion percentage of construction contract is measured by reference to the actual accumulated contract costs incurred to date to estimated total contract costs for the contract.

— revenue from a fixed price contract is recognized using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and

— revenue from a cost plus contract is recognized by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

(v) Interest income

Interest income is recognized as it accrues using the effective interest method.

(vi) Dividends

— Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

(vii) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(aa) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the statements of financial position date. Exchange gains and losses are recognized in profit or loss. Exchange gains and losses are recognized in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognized in other comprehensive income (see note 1(k)).

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations which have a functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items are translated into RMB at the closing foreign exchange rates ruling at the end of the each reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(bb) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(cc) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(dd) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the Financial Information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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

For the years ended 31 December 2011, 2012 and 2013, the Group's operating revenues derived from outside the PRC were RMB6,271.47 million, RMB9,630.53 million, RMB7,576,23 million, respectively. As at 31 December 2011, 2012 and 2013, the balances of non-current assets, which were based on the physical location of the assets located outside PRC, were amounting to nil, nil and 1.04 million respectively.

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Financial Information. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those polices and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in note 1. Notes 13, 28, 29, 34 contain information about the assumptions and their risk factors relating to valuation of goodwill impairment, defined benefit obligations, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as below:

(a) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual impairment losses would be higher than estimated.

(b) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, investment property, lease prepayments, intangible assets, investments in an associate and unquoted equity investment, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in

determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and amount of operating costs.

(c) Write-down of inventories to net realisable value

The Group determines the write-down for obsolescence of inventories. Based on the Group's management review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable values. Due to changes in market conditions, actual saleability of goods, practical usage of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(d) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the statements of financial position date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires a significant level of judgment exercised by the directors. Any changes in such assumptions and judgments would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

(e) Warranty provisions

As explained in note 1(y)(ii), the Group makes provisions under the warranties it gives on sales of its goods taking into account the Group's recent claim experience. It is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(f) Construction contract

As explained in policy notes 1(r) and 1(z)(iii) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 19 will not include profit which the group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognized in future years as an adjustment to the amounts recorded to date.

(g) Depreciation and amortisation

As explained in note 1(l), 1(m) and 1(n), investment property, property, plant and equipment and intangible assets are depreciated and amortized on a straight- line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

3 REVENUE

The Group is principally engaged in manufacturing, sales and refurbishment of locomotives, passenger coaches, freight wagons, MUs and metro cars, and relative research and development, construction and rendering of services.

Revenue mainly represents the sales value of goods supplied to customers, rendering of services. The amount of each significant category of revenue recognized during the year is as follows:

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from goods and services	88,810,826	91,790,364	96,617,055
Interest income	—	7,874	139,015
	88,810,826	91,798,238	96,756,070

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Domestic revenue	82,539,355	82,167,704	89,179,841
Overseas revenue	6,271,471	9,630,534	7,576,229
	88,810,826	91,798,238	96,756,070

4 OTHER REVENUE AND OTHER NET LOSS

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Other revenue			
Interest income	98,012	114,901	179,268
Dividend income	2,867	1,744	5,693
Government grants	508,993	581,129	398,810
	609,872	697,774	583,771
Other net loss			
Net gain/(loss) from changes in fair value	30,812	1,511	(6,069)
Net gain/(loss) on sale of available-for-sale investments	1,246	1,968	(50)
Net (loss)/gain on sale of derivative financial instruments	(9,708)	(3,275)	6,330
Net foreign exchange loss	(75,922)	(1,183)	(53,842)
Net loss on disposal of property, plant and equipment	(6,311)	(20,641)	(10,614)
Others	(68,627)	(39,208)	(166,405)
	(128,510)	(60,828)	(230,650)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Interest cost recognized in respect of defined benefit obligations *(note 28(b))*	108,064	89,865	89,753
Interest expense on bank advances and borrowings	1,336,376	1,387,041	1,610,366
Less: interest expenses capitalised into property, plant and equipment	196,939	295,945	304,695
	1,247,501	1,180,961	1,395,424

The borrowing costs have been capitalised at rates of 5.42%-6.75%, 6.07%- 6.80% and 5.07%-6.46% for the years ended 31 December 2011, 2012 and 2013 respectively.

(b) Staff costs

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	6,495,670	7,090,298	7,743,498
Contributions to defined contribution retirement plans *(note)*	798,313	1,064,639	1,114,048
Expenses recognized in respect of defined benefit obligations *(note 28(c))*	60,384	65,584	200,140
Equity-settled share-based transaction expenses *(note 29)*	—	5,387	33,202
	7,354,367	8,225,908	9,090,888

Note:

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its PRC subsidiaries participated in defined contribution retirement schemes (the "PRC Schemes") organized by the relevant local government authorities for its employees. The Group is required to make contributions to the PRC Schemes at 18% to 22% of average basic salaries of the employees in the cities where the Group operates. The local government authorities are responsible for the entire pension obligations payable to retired employees. In addition, the Company and certain subsidiaries' staff have participated in a retirement plan managed by certain subsidiaries on a voluntary basis to supplement the above-mentioned schemes and the Company and subsidiaries are required to make contribution at 2.5% to 5% of total salaries of the employees. The Group has no other material obligation to make payments in respect of pension benefits associated with these schemes and supplementary retirement plan other than the annual contributions described above.

(c) Other items

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Amortisation			
— lease prepayments	159,395	176,971	171,664
— intangible assets	69,352	73,554	74,271
	228,747	250,525	245,935
Depreciation			
— property, plant and equipment	1,228,373	1,472,595	1,955,306
Impairment loss/(gain)			
— trade and bills receivables	93,852	133,068	656,077
— deposits, prepayments and other receivables	27,726	(7,433)	248,767
— property, plant and equipment	—	9,455	1,246
— other non-current assets	1,862	(753)	84,673
— inventory	134,583	101,110	148,260
	258,023	235,447	1,139,023
Research and development costs *(note)*	2,182,834	2,589,214	2,790,296
Provision for warranty	459,759	379,329	516,099
Auditors' remuneration	10,500	15,500	15,500
Operating lease charges	100,696	114,159	135,169
Cost of goods *(note)*	76,750,485	78,237,284	79,761,789

Note:

Cost of goods and research and development costs include staff costs, depreciation and amortisation expenses and operating lease charges, of which amount are also included in the respective total amounts disclosed separately above or in note 5(c) for each of these types of expenses.

6 INCOME TAX

(a) Income tax in the consolidated statements of profit or loss represents:

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Corporate income tax *(Note 30(a))*			
Provision for the year	579,946	637,016	1,031,384
Under-provision in respect of prior years	6,551	1,984	6,838
	586,497	639,000	1,038,222
Deferred taxation *(Note 30(b))*			
Origination and reversal of temporary differences	(75,311)	(35,892)	(165,094)
Effect on deferred tax balances at 1 January resulting from a change in income tax rate	(691)	—	—
	(76,002)	(35,892)	(165,094)
	510,495	603,108	873,128

(b) Reconciliations between income tax expense and before taxation profit at applicable tax rates:

The Group

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	3,655,045	4,187,436	5,099,131
Notional tax on profit before taxation at PRC statutory tax rate	913,761	1,046,859	1,274,783
Effect of non-deductible expenses	19,141	23,374	66,421
Effect in respect of share of profits less losses of associates and joint ventures	(62,016)	(60,101)	(72,666)
Effect of research and development expense deduction	(174,620)	(194,968)	(232,376)
Income tax effect of unused tax losses not recognized	88,091	63,899	98,726
Income tax effect of temporary differences not recognized	10,941	12,098	90,686
Effect on deferred tax balances at 1 January resulting from a change in tax rate	691	—	—
Effect of PRC tax concessions	(271,296)	(255,133)	(434,314)
Others	(14,198)	(32,920)	81,868
Actual income tax expense	510,495	603,108	873,128

Notes:

On 16 March 2007, the Fifth Plenary of the Tenth National People's Congress passed the new Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"). Accordingly, effective from 1 January 2008, the Group's PRC subsidiaries are generally subject to income tax at the statutory rate of 25%, unless otherwise specified.

Prior to 1 January 2011, 20 of the Group's subsidiaries were entitled to a preferential income tax rate 15% by reason of the evaluation of new high-tech enterprises. As of 31 December 2013, the number of high-tech enterprises has increased to 23.

Prior to 1 January 2011, 3 subsidiaries of the Group were located in the Western Regions and were entitled to a preferential income tax rate of 15%. As of 31 December 2013, the number of western regions enterprises has increased to 8.

A subsidiary of the Group is located in Hong Kong and is entitled to Hong Kong Profits Tax at 16.5%.

A subsidiary of the Group is located in Czech Republic and is entitled to income tax at the statutory rate of 19%.

7 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of directors' and supervisors' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:

	Year ended 31 December 2011				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director					
Xi Guohua	—	272	474	117	863
Non-executive director					
Cui Dianguo	—	272	474	123	869
Lin Wanli (Resigned in Sep 2013)	—	244	427	104	775
Independent non-executive directors					
Qin Jiaming (Resigned in Feb 2012)	134	—	—	—	134
Zhang Zhong	156	—	—	—	156
Chen Lifen (Resigned in Feb 2012)	120	—	—	—	120
Shao Ying	136	—	—	—	136
Zhang Xinmin (Resigned in Feb 2012)	157	—	—	—	157
Supervisor					
Liu Kexian (Resigned in Oct 2012)	—	374	192	98	664
Chen Fangping	—	344	182	78	604
Zhu Sanhua	—	335	174	74	583
	703	1,841	1,923	594	5,061

	Year ended 31 December 2012						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Equity settled share-based transaction	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director							
Xi Guohua	—	249	567	104	920	27	947
Non-executive director							
Cui Dianguo	—	249	567	108	924	27	951
Lin Wanli (Resigned in Sep 2013)	—	225	499	94	818	23	841
Independent non-executive directors							
Qin Jiaming (Resigned in Feb 2012)	13	—	—	—	13	—	13
Zhang Xinmin (Resigned in Feb 2012)	13	—	—	—	13	—	13
Chen Lifen (Resigned in Feb 2012)	15	—	—	—	15	—	15
Li Fenghua (Appointed in Feb 2012)	128	—	—	—	128	—	128
Zhang Zhong	147	—	—	—	147	—	147
Shao Ying	130	—	—	—	130	—	130
Xin Dinghua (Appointed in Feb 2012)	130	—	—	—	130	—	130
Supervisor							
Liu Kexian (Resigned in Oct 2012)	—	225	269	42	536	—	536
Chen Fangping	—	374	253	75	702	—	702
Zhu Sanhua	—	351	242	73	666	—	666
Liu Zhi (Appointed in Oct 2012)	—	327	228	65	620	—	620
	576	2,000	2,625	561	5,762	77	5,839

	Year ended 31 December 2013						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Equity settled share-based transaction	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director							
Xi Guohua	—	335	584	106	1,025	163	1,188
Non-executive director							
Cui Dianguo	—	335	584	110	1,029	163	1,192
Lin Wanli (Resigned in Sep 2013)	—	238	526	75	839	139	978
Wan Jun (Appointed in Dec 2013)	—	24	—	7	31	—	31
Independent non-executive directors							
Li Fenghua (Appointed in Feb 2012)	130	—	—	—	130	—	130
Zhang Zhong	142	—	—	—	142	—	142
Shao Ying	118	—	—	—	118	—	118
Xin Dinghua (Appointed in Feb 2012)	136	—	—	—	136	—	136
Supervisor							
Chen Fangping	—	439	273	84	796	—	796
Zhu Sanhua	—	398	245	78	721	—	721
Liu Zhi (Appointed in Oct 2012)	—	384	233	71	688	—	688
	526	2,153	2,445	531	5,655	465	6,120

During the Track Record Period, no emoluments were paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. No director or supervisor has waived or agreed to waive any emoluments during the Track Record Period.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and supervisors, non-directors and non-supervisors included in the five highest paid individuals for the years ended 31 December 2011, 2012 and 2013 are set forth below:

	Years ended 31 December		
	2011	**2012**	**2013**
	Number of individuals	*Number of individuals*	*Number of individuals*
Directors or Supervisors	—	—	—
Non-directors and Non-supervisors	5	5	5
	5	5	5

The emoluments of the directors and supervisors are disclosed in note 7. The aggregate of the emoluments in respect of the highest paid individuals are as follows:

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	1,074	1,551	1,630
Discretionary bonuses	4,771	4,506	5,308
Retirement scheme contributions	198	433	238
Share-based payments	—	97	596
	6,043	6,587	7,772

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Years ended 31 December		
	2011	**2012**	**2013**
	Number of individuals	*Number of individuals*	*Number of individuals*
HKD 1,000,000 to HKD 1,500,000	4	2	—
HKD 1,500,001 to HKD 2,000,000	1	3	3
HKD 2,000,001 to HKD 2,500,000	—	—	2

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	Years ended 31 December					
	2011			**2012**		
	Before tax amount	**Tax (expense)/ benefit**	**Net-of-tax amount**	**Before tax amount**	**Tax expense**	**Net-of-tax amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash flow hedge: net movement in hedging reserve	17,324	(2,598)	14,726	—	—	—
Available-for-sale investments: net movement in fair value reserve	(151,836)	23,935	(127,901)	6,287	(941)	5,346
Other comprehensive income	(134,512)	21,337	(113,175)	6,287	(941)	5,346

	Years ended 31 December 2013		
	Before tax amount	**Tax expense**	**Net-of-tax amount**
	RMB'000	*RMB'000*	*RMB'000*
Exchange differences on translation of:			
— financial statements of overseas subsidiary	—	—	(98)
Available-for-sale investments:			
net movement in fair value reserve	5,160	(1,025)	4,135
Other comprehensive income	5,160	(1,025)	4,037

(b) Components of other comprehensive income, including reclassification adjustments

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Cash flow hedges:			
Net deferred tax credited to other comprehensive income	14,726	—	—
Net movement in the hedging reserve during the year recognized in other comprehensive income	14,726	—	—
Available-for-sale investments:			
Changes in fair value recognized during the year	(127,901)	5,346	4,135
Net movement in the fair value reserve during the year recognized in other comprehensive income	(127,901)	5,346	4,135

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to ordinary equity shareholders of the Company of RMB3,024.63 million, RMB3,430.81 million, RMB4,128.56 million for the years ended 31 December 2011, 2012 and 2013 respectively and the weighted average number of ordinary shares in issue as at the end of each reporting period, calculated as follows:

Weighted average number of ordinary shares

	Years ended 31 December		
	2011	**2012**	**2013**
	Number of Shares '000 (restated)	*Number of Shares '000*	*Number of Shares '000*
Ordinary shares issued at beginning of the year	8,300,000	8,300,000	10,320,056
Effect of Capitalisation issue *(note 33 c (ii))*	470,212	1,763,133	—
Weighted average number of ordinary shares at the end of year	8,770,212	10,063,133	10,320,056

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB3,024.63 million, RMB3,430.81 million, RMB4,128.56 million for the years ended 31 December 2011, 2012 and 2013 and the weighted average number of ordinary shares are 8,770.21 million, 10,063.23 million, 10,325.98 million for the years ended 31 December 2011, 2012 and 2013 after adjusting for the capitalisation issue in 2012, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Profit attributable to ordinary equity shareholders	3,024,638	3,430,806	4,128,559

(ii) Weighted average number of ordinary shares (diluted)

	Years ended 31 December		
	2011	**2012**	**2013**
	Number of Shares '000 (restated)	*Number of Shares '000*	*Number of Shares '000*
Weighted average number of ordinary shares at beginning of the year	8,770,212	10,063,133	10,320,056
Effect of deemed issue of shares under the company's share option scheme for nil consideration *(note 29)*	—	98	5,921
Weighted average number of ordinary shares at the end of year	8,770,212	10,063,231	10,325,977

11 PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Land, buildings and structures	Equipment	Motor vehicles	Furniture, fixtures and others	Investment property	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:								
At 1 January 2011	4,912	7,903,238	10,754,989	929,427	979,877	245,742	4,571,247	25,389,432
Additions	536	4,174	881,334	66,658	37,781	—	5,182,351	6,172,834
Transfer from construction in progress	—	1,679,767	1,388,851	88,101	118,689	—	(3,275,408)	—
Disposals	—	(21,098)	(1,239,499)	(49,454)	(54,678)	—	(338)	(1,365,067)
Transfer to construction in progress	—	(8,608)	(43,314)	(1,304)	(511)	—	53,737	—
Reclassified to intangible assets	—	—	—	—	—	—	(24,313)	(24,313)
Reclassified to investment property	—	(1,305)	—	—	—	1,655	(350)	—
At 31 December 2011	5,448	9,556,168	11,742,361	1,033,428	1,081,158	247,397	6,506,926	30,172,886
Additions	5,730	21,229	60,066	15,836	72,724	136	4,540,444	4,716,165
Transfer from construction in progress	—	2,912,930	2,330,343	216,037	159,159	—	(5,618,469)	—
Acquisitions of subsidiaries	—	66,942	24,319	986	2,506	—	—	94,753
Disposals	—	(21,194)	(142,168)	(52,783)	(16,431)	(4,094)	—	(236,670)
Transfer to construction in progress	—	—	(143)	—	—	—	143	—
Reclassified to intangible assets	—	—	—	—	—	—	(47,539)	(47,539)
Reclassified to investment property	—	(16,268)	—	—	—	16,268	—	—
At 31 December 2012	11,178	12,519,807	14,014,778	1,213,504	1,299,116	259,707	5,381,505	34,699,595
Additions	—	31,912	80,563	88,801	33,048	—	4,478,535	4,712,859
Transfer from construction in progress	—	1,886,153	2,440,368	183,605	156,937	263	(4,667,326)	—
Acquisition of subsidiaries	—	9,070	1,399	1,622	1,291	—	19,328	32,710
Reclassified from investment property	—	18,470	—	—	—	(18,470)	—	—
Acquisitions of business under common control	—	(24,892)	(4,257)	(726)	(187)	—	—	(30,062)
Disposals	(3,022)	(34,954)	(199,914)	(15,936)	(36,617)	(6,536)	—	(296,979)
Transfer to construction in progress	—	(18,409)	(23,128)	(476)	—	—	42,013	—
Reclassified to investment property	—	(163)	—	—	—	163	—	—
Reclassified to intangible assets	—	—	—	—	—	—	(42,677)	(42,677)
At 31 December 2013	8,156	14,386,994	16,309,809	1,470,394	1,453,588	235,127	5,211,378	39,075,446

	Leasehold improvements	Land, buildings and structures	Equipment	Motor vehicles	Furniture, fixtures and others	Investment property	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:								
At 1 January 2011	1,631	1,792,935	4,371,000	379,473	506,143	132,321	—	7,183,503
Depreciation charge for the year	2,302	242,842	795,998	79,167	103,911	4,153	—	1,228,373
Written back on disposal	—	(7,232)	(464,466)	(28,366)	(30,302)	—	—	(530,366)
Reclassified to investment property	—	(501)	—	—	—	501	—	—
At 31 December 2011	3,933	2,028,044	4,702,532	430,274	579,752	136,975	—	7,881,510
Depreciation charge for the year	1,900	327,842	882,209	98,985	157,669	3,990	—	1,472,595
Written back on disposal	—	(11,828)	(108,166)	(44,979)	(14,611)	(4,094)	—	(183,678)
Reclassified to investment property	—	(9,577)	—	—	—	9,577	—	—
At 31 December 2012	5,833	2,334,481	5,476,575	484,280	722,810	146,448	—	9,170,427
Depreciation charge for the year	1,609	511,874	1,138,548	135,274	164,085	3,916	—	1,955,306
Reclassified from investment property	—	10,147	—	—	—	(10,147)	—	—
Acquisition of business under common control	—	(11,844)	(1,510)	(41)	(386)	—	—	(13,781)
Written back on disposal	(3,023)	(39,721)	(171,812)	(12,725)	(32,339)	(3,776)	—	(263,396)
Reclassified to investment property	—	(41)	—	—	—	41	—	—
At 31 December 2013	4,419	2,804,896	6,441,801	606,788	854,170	136,482	—	10,848,556

	Leasehold improvements	Land, buildings and structures	Equipment	Motor vehicles	Furniture, fixtures and others	Investment property	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated impairment losses:								
At 1 January 2011	—	29,251	172,421	7,792	8,388	15,894	—	233,746
Written back on disposal	—	—	(2,110)	(132)	(2,391)	—	—	(4,633)
Reclassified to investment property	—	(385)	—	—	—	385	—	—
At 31 December 2011	—	28,866	170,311	7,660	5,997	16,279	—	229,113
Impairment losses charge for the year	—	—	—	—	—	—	9,455	9,455
Written back on disposal	—	—	(3,663)	(881)	(210)	—	—	(4,754)
Reclassified to investment property	—	(590)	—	—	—	590	—	—
At 31 December 2012	—	28,276	166,648	6,779	5,787	16,869	9,455	233,814
Impairment losses charge for the year	—	—	1,246	—	—	—	—	1,246
Transfer from construction in progress	—	—	179	—	—	—	(179)	—
Reclassified from investment property	—	2,489	—	—	—	(2,489)	—	—
Acquisition of business under common control	—	—	(331)	(91)	(423)	—	—	(845)
Written back on disposal	—	(10)	(3,693)	(487)	(175)	—	(22)	(4,387)
At 31 December 2013	—	30,755	164,049	6,201	5,189	14,380	9,254	229,828
Net book value:								
At 31 December 2011	1,515	7,499,258	6,869,518	595,494	495,409	94,143	6,506,926	22,062,263
At 31 December 2012	5,345	10,157,050	8,371,555	722,445	570,519	96,390	5,372,050	25,295,354
At 31 December 2013	3,737	11,551,343	9,703,959	857,405	594,229	84,265	5,202,124	27,997,062

The Company

	Equipment	Motor vehicles	Furniture, Fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2011	38,282	3,365	1,412	37	43,096
Additions	18,613	4,189	1,294	7,249	31,345
Transfer to intangible assets	—	—	—	(1,673)	(1,673)
Disposals	(3,954)	(867)	(549)	—	(5,370)
At 31 December 2011	52,941	6,687	2,157	5,613	67,398
Additions	8,460	—	6,828	114,713	130,001
Transfer from construction in progress	4,085	—	2,510	(6,595)	—
Transfer to intangible assets	—	—	—	(33,104)	(33,104)
Reclassified	(31,917)	—	31,917	—	—
At 31 December 2012	33,569	6,687	43,412	80,627	164,295
Additions	2,719	—	3,380	95,934	102,033
Transfer from construction in progress	12,803	632	578	(14,013)	—
Transfer to intangible assets	—	—	—	(20,953)	(20,953)
Investment to subsidiary	(49,091)	(1,195)	(3,158)	(125,628)	(179,072)
At 31 December 2013	—	6,124	44,212	15,967	66,303
Accumulated depreciation:					
At 1 January 2011	11,530	1,394	412	—	13,336
Depreciation charge for the year	7,146	391	269	—	7,806
Written back on disposals	(3,517)	(867)	(329)	—	(4,713)
At 31 December 2011	15,159	918	352	—	16,429

	Equipment	Motor vehicles	Furniture, Fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation charge for the year	2,511	806	6,616	—	9,933
Reclassified	(13,952)	—	13,952	—	—
At 31 December 2012	3,718	1,724	20,920	—	26,362
Depreciation charge for the year	2,755	814	7,763	—	11,332
Investment to subsidiary	(6,473)	(159)	(1,182)	—	(7,814)
At 31 December 2013	—	2,379	27,501	—	29,880
Net book value:					
At 31 December 2011	37,782	5,769	1,805	5,613	50,969
At 31 December 2012	29,851	4,963	22,492	80,627	137,933
At 31 December 2013	—	3,745	16,711	15,967	36,423

(a) Fixed assets held under finance leases

At 21 March 2011, CNR Changchun Railway Vehicles Co., Ltd., the subsidiary of the Group entered into an agreement of sales and leaseback which result in a finance lease with Liang Tong leasing Co., Ltd. The cost and the net book value of fixed assets held under finance leases under the agreements above were approximately RMB1,146.66 million and RMB809.05 million at the end of the reporting period of 2011. The detail information about the fixed assets held under finance leases is as follows:

	At 31 December 2011		
	Cost	**Accumulated depreciation**	**Net book value**
	RMB'000	*RMB'000*	*RMB'000*
Equipment	773,105	74,730	698,375
Furniture, fixtures and others	18,426	3,448	14,978
Motor vehicles	17,514	3,211	14,303
Total	809,045	81,389	727,656

(b) Machinery and equipment leased out under operating lease

The Group leases out a number of items of machinery and equipment to another companies under operating leases. The aggregate net book value of these assets as at 31 December 2011, 2012 and 2013 amounted to RMB328.21 million, RMB358.14 million and RMB87.25 million respectively.

12 LEASE PREPAYMENTS

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year, net of accumulated amortisation	7,415,269	8,698,547	9,126,850
Additions	1,442,752	608,129	1,104,049
Acquisition of subsidiaries	—	—	16,255
Disposals	(79)	(2,855)	(86,337)
Acquisitions of business under common control	—	—	(3,555)
Amortisation	(159,395)	(176,971)	(190,699)
Carrying amount at the end of year	8,698,547	9,126,850	9,966,563

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year, net of accumulated amortisation	—	27,266	30,997
Additions	27,312	4,360	—
Amortisation	(46)	(629)	(592)
Investment to subsidiary	—	—	(30,405)
Carrying amount at the end of year	27,266	30,997	—

13 GOODWILL

	A t 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At the beginning of year	—	—	13,557
Acquisitions of subsidiaries	—	13,557	—
At the end of year	—	13,557	13,557
Accumulated impairment losses:			
At the beginning of year	—	—	—
Impairment charged for the year	—	—	—
At the end of year	—	—	—
Carrying amount at the end of year	**—**	**13,557**	**13,557**

The Group acquired 51% interest of Beijing Tsinghua Software Information Technology Co., Ltd. with a consideration of RMB29.77 million in January 2012 and RMB13.56 million was recognized as goodwill.

14 INTANGIBLE ASSETS

The Group

	Patents and trademarks *RMB'000*	Computer software and others *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2011	215,047	286,882	501,929
Additions	41,469	94,140	135,609
Disposals	(8,826)	(2,676)	(11,502)
At 31 December 2011	247,690	378,346	626,036
Additions	2,468	73,763	76,231
Acquisitions of subsidiaries	1,939	410	2,349
Disposals	—	(786)	(786)
At 31 December 2012	252,097	451,733	703,830
Additions	35,977	317,564	353,541
Acquisitions of subsidiaries	24,406	9	24,415
Disposals	—	(1,041)	(1,041)
At 31 December 2013	312,480	768,265	1,080,745

	Patents and trademarks *RMB'000*	Computer software and others *RMB'000*	Total *RMB'000*
Accumulated amortization and impairment losses:			
At 1 January 2011	104,174	117,578	221,752
Amortization and impairment loss charge for the year	22,464	46,888	69,352
Written back on disposal	(5,817)	(2,676)	(8,493)
At 31 December 2011	120,821	161,790	282,611
Amortization and impairment loss charge for the year	21,877	51,677	73,554
Written back on disposal	—	(637)	(637)
At 31 December 2012	142,698	212,830	355,528
Amortization and impairment losses charge for the year	23,420	62,085	85,505
Written back on disposal	—	(93)	(93)
At 31 December 2013	166,118	274,822	440,940
Net book value:			
At 31 December 2011	126,869	216,556	343,425
At 31 December 2012	109,399	238,903	348,302
At 31 December 2013	146,362	493,443	639,805

The Company

	Computer software and others *RMB'000*
Cost:	
At 1 January 2011	17,756
Additions	13,294
Disposals	(85)
At 31 December 2011	30,965
Additions	30,175
At 31 December 2012	61,140
Additions	22,419
Investment to the subsidiary	(19,181)
At 31 December 2013	64,378
Accumulated amortization:	
At 1 January 2011	1,617
Amortization charge for the year	4,668
Written back on disposal	(85)
At 31 December 2011	6,200
Amortization charge for the year	6,715
At 31 December 2012	12,915
Amortization charge for the year	11,056
Investment to the subsidiary	(6,173)
At 31 December 2013	17,798
Net book value:	
At 31 December 2011	24,765
At 31 December 2012	48,225
At 31 December 2013	46,580

15 INVESTMENTS IN SUBSIDIARIES

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	19,858,006	27,308,671	29,541,690
Less: impairment loss	—	—	—
	19,858,006	27,308,671	29,541,690

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group as at 31 December 2013.

The Company

Name of the company	Place of incorporation and operation	Issued and fully paid-up capital	Proportion of ownership interest			Principal Activities
			Group's effective interest	Held by the company	Held by a subsidiary	
		RMB'000				
Qiqihar Railway Vehicle Equipment Co., Ltd. 齊齊哈爾軌道交通裝備有限責任公司	The PRC	778,000	100%	100%	—	Manufacture and refurbishment of railway transportation equipment and components
CNR Qiqihar Rolling Stock Co., Ltd. 北車齊齊哈爾鐵路車輛有限責任公司	The PRC	3,000,000	100%	100%	—	Manufacture of railway transportation equipment and components
Changchun Railway Vehicle Equipment Co., Ltd. 長春軌道客車裝備有限責任公司	The PRC	409,330	93.54%	—	100%	Manufacturing and selling of Passenger coaches and components
Tangshan Railway Vehicle Co., Ltd. 唐山軌道客車有限責任公司	The PRC	2,257,000	100%	100%	—	Manufacture of railway transportation equipment,high-speed MUs, rapid transit vehicles and components
Changchun Railway Vehicle Co., Ltd. 長春軌道客車股份有限公司	The PRC	2,452,800	93.54%	93.54%	—	Design and manufacture of passenger coaches, high-speed MUs, rapid transit vehicles and components
CNR Dalian Locomotive & Rolling Stock Co. Ltd. 中國北車集團大連機車車輛有限公司	The PRC	2,443,000	100%	100%	—	Manufacture and refurbishment of locomotives and components.
Beijing Feb. 7th Railway Vehicle Equipment Co., Ltd. 北京二七軌道交通裝備有限責任公司	The PRC	396,000	100%	100%	—	Manufacture of railway vehicles and urban rapid transit vehicles
Beijing Nankou Railway Machinery Co., Ltd. 北京南口軌道交通機械有限責任公司	The PRC	305,000	100%	100%	—	Manufacture of locomotives accessories
CNR Construction and Engineering Co., Ltd. 北車建設工程有限責任公司	The PRC	300,000	100%	100%	—	Project management contracting, sales of machinery and construction materials and leasing of machinery equipment
Tianjin JL Railway Transportation Equipment Co., Ltd. 天津機輛軌道交通裝備有限責任公司	The PRC	166,000	100%	100%	—	Manufacture of rail transportation equipment; manufacturing of locomotives components
CNR Datong Electric Locomotive Co., Ltd. 中國北車集團大同電力機車有限責任公司	The PRC	656,000	100%	100%	—	Manufacture and refurbishment of locomotives and components
Taiyuan Railway Transportation Equipment Co., Ltd. 太原軌道交通裝備有限責任公司	The PRC	327,000	100%	100%	—	Manufacture and refurbishment of locomotives and components
Yongji Xinshisu Electric Equipment Co., Ltd. 永濟新時速電機電器有限責任公司	The PRC	630,000	100%	100%	—	Manufacture and refurbishment of general mechanical and electrical equipment
Jinan Railway Vehicle Equipment Co., Ltd. 濟南軌道交通裝備有限責任公司	The PRC	1,088,700	100%	100%	—	Manufacture and refurbishment of locomotives, freight wagons and components

Name of the company	Place of incorporation and operation	Issued and fully paid-up capital	Proportion of ownership interest			Principal Activities
			Group's effective interest	Held by the company	Held by a subsidiary	
		RMB'000				
Xi'an Railway Vehicle Equipment Co., Ltd. 西安軌道交通裝備有限責任公司	The PRC	610,000	100%	100%	—	Refurbishment of passenger coaches and freight wagons; research and development and manufacture of railway box wagons
CNR Lanzhou Locomotive Co., Ltd. 北車蘭州機車有限公司	The PRC	229,261	100%	100%	—	Refurbishment of diesel and electric locomotives
CNR Import & Export Co., Ltd. 北車進出口有限公司	The PRC	100,000	100%	100%	—	Sales of rolling stock equipment
Beijing CNR Logistics Development Co., Ltd. 北京北車物流發展有限責任公司	The PRC	300,000	100%	92%	8%	Logistics services, agent of international freight and trading of raw materials
CNR Dalian Locomotive Research Institute Co., Ltd. 中國北車集團大連機車研究所有限公司	The PRC	186,000	100%	100%	—	Research and development, and manufacture of locomotives machinery and electronic devices
Qingdao Sifang Rolling Stock Research Institute Co., Ltd. 青島四方車輛研究所有限公司	The PRC	606,000	100%	100%	—	Research and development and manufacture of vehicles, components and related equipment
Beijing Tsinghua Software Information TechnologyCo., Ltd. 北京清軟英泰信息技術有限公司	The PRC	17,000	51%	51%	—	Provide training of computer technology, basic software related services, applicant software related services, computer systematic services and data processing services
CNR Investment & LeasingCor., Ltd. 北車投資租賃有限公司	The PRC	800,000	100%	100%	—	Leasing and sales of transportation vehicles and machinery equipment
Beijing CNR railway Transportation Equipment Co., Ltd. 北京北車中鐵軌道交通裝備有限公司	The PRC	20,000	51%	51%	—	Manufacture of locomotive components; import and export of goods and project management contracting
Shanghai Railway Equipment Development Co., Ltd. 上海軌道交通設備發展有限公司	The PRC	676,041	51%	51%	—	Manufacture and refurbishment of rapid transit vehicles
CNR (Hong Kong) Corporation Limited 北車(香港)有限公司	Hong Kong	30,715	100%	100%	—	Manufacture and refurbishment of railway vehicles (including MUs), rapid transit vehicles and merger and acquisition
CNR Shenyang Locomotive & Rolling Stock Co., Ltd. 中國北車集團瀋陽機車車輛有限責任公司	The PRC	951,532	100%	100%	—	Manufacture and refurbishment of freight wagons

Name of the company	Place of incorporation and operation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal Activities
		RMB'000				
CNR Financial Co., Ltd. 中國北車集團財務有限公司	The PRC	1,200,000	83.33%	83.33%	—	Take deposits and provide entrusted loans with its subsidiaries and China Northern Locomotive & Rolling stock Industry (Group) Corporation and its affiliates
CNR Southern Co., Ltd. 北車南方有限公司	The PRC	—	100%	100%	—	Research and development, design and sales of railway vehicles (including MUs) and urban rapid transit vehicles
CNR Dalian Electric Traction R&D Centre Co., Ltd. 北車大連電力牽引研發中心有限公司	The PRC	388,000	100%	100%	—	Research and development of electric traction and control technologies and manufacture and sales of applicant services and related products

The English translation of the company names for entities established in the PRC is for reference only. The official names of the companies established in the PRC are in Chinese.

16 INTEREST IN ASSOCIATES

The Group

	At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	1,050,573	1,004,864	1,040,052

The following list contains only the particulars of material associates, all of which are unlisted corporate entities, and principally affected the results or assets of the Group as at 31 December 2013.

Name of associates	Form of business structure	Place of establishment/ incorporation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the company	Proportion of ownership interest: Held by subsidiary	Principal activities
Beijing Nankou Railway Bearings Co. Ltd., 北京南口斯凱孚鐵路軸承有限公司	Incorporation	The PRC	RMB193,457,459	49%	—	49%	Manufacturing and selling of locomotive bearing
Datong ABB Traction Transformer Co., Ltd. 大同ABB牽引變壓器有限公司	Incorporation	The PRC	US$6,000,000	50%	—	50%	Manufacturing and selling of locomotive transformer
Xi'an Alstom Yongji Electric Equipment Co., Ltd. 西安阿爾斯通永濟電氣設備有限公司	Incorporation	The PRC	EUR2,660,000	49%	—	49%	Selling of electric control system
Shanghai Alstom Transport Electric Equipment Co., Ltd. 上海阿爾斯通交通電氣設備有限公司	Incorporation	The PRC	RMB100,000,000	20.40%	—	40%	Manufacturing and selling of traction equipment
Alstom Qingdao Railway Equipment Co., Ltd. 青島阿爾斯通鐵路設備有限公司	Incorporation	The PRC	RMB10,000,000	49%	—	49%	Selling of electric control system
Xinyang Amsted Tonghe Wheels Co., Ltd. 信陽同合車輪有限公司	Incorporation	The PRC	US$52,173,900	19%	10%	9%	Manufacturing and selling of locomotives and rolling stock
Tianjin Electric Locomotive Co., Ltd. 天津電力機車有限公司	Incorporation	The PRC	RMB960,000,000	43.75%	43.75%	—	Electric locomotive manufacturing
Tangshan Tang-che Railway Transportation Equipment Co., Ltd. 唐山唐車威奧軌道交通設備有限公司	Incorporation	The PRC	RMB150,000,000	25%	—	25%	Manufacturing and selling of locomotives and rolling stock

All of the above associates are accounted for using the equity method in the consolidated financial statements.

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There is no significant adjustment for any differences in accounting policies in material associates.

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

(1) Summary of financial information of the material associates:

	Year ended 31 December 2011				
Name of Associate	**Total assets**	**Total liabilities**	**Net assets**	**Revenue**	**Profit/ (Loss)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Beijing Nankou Railway Bearings Co. Ltd., 北京南口斯凱孚鐵路軸承有限公司	347,902	74,155	273,747	397,502	40,881
Datong ABB Traction Transformer Co., Ltd. 大同ABB牽引變壓器有限公司	792,413	562,844	229,569	761,829	159,720
Xi'an Alstom Yongji Electric Equipment Co., Ltd. 西安阿爾斯通永濟電氣設備有限公司	85,292	46,108	39,184	53,828	3,295
Shanghai Alstom Transport Electric Equipment Co., Ltd. 上海阿爾斯通交通電氣設備有限公司	445,682	286,913	158,769	314,931	39,720
Alstom Qingdao Railway Equipment Co., Ltd. 青島阿爾斯通鐵路設備有限公司	99,500	25,284	74,216	91,839	24,792
Xinyang Amsted Tonghe Wheels Co., Ltd. 信陽同合車輪有限公司	1,368,460	619,669	748,791	870,875	113,836
Tianjin Electric Locomotive Co., Ltd. 天津電力機車有限公司	960,000	—	960,000	—	—
Tangshan Tang-che Railway Transportation Equipment Co., Ltd. 唐山唐車威奧軌道交通設備有限公司	276,964	159,562	117,402	2,665	(30,133)

Name of Associate	Year ended 31 December 2012				
	Total assets	Total liabilities	Net assets	Revenue	Profit/ (Loss)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Beijing Nankou Railway Bearings Co. Ltd., 北京南口斯凱孚鐵路軸承有限公司	423,894	116,476	307,418	540,182	63,049
Datong ABB Traction Transformer Co., Ltd. 大同ABB牽引變壓器有限公司	610,663	417,349	193,314	619,130	107,225
Xi'an Alstom Yongji Electric Equipment Co., Ltd. 西安阿爾斯通永濟電氣設備有限公司	62,325	18,362	43,963	98,051	3,199
Shanghai Alstom Transport Electric Equipment Co., Ltd. 上海阿爾斯通交通電氣設備有限公司	415,467	289,823	125,644	349,490	31,038
Alstom Qingdao Railway Equipment Co., Ltd. 青島阿爾斯通鐵路設備有限公司	119,247	38,343	80,904	109,165	35,689
Xinyang Amsted Tonghe Wheels Co., Ltd. 信陽同合車輪有限公司	949,380	276,139	673,241	710,845	72,570
Tianjin Electric Locomotive Co., Ltd. 天津電力機車有限公司	1,581,565	670,849	910,716	96,020	(34,350)
Tangshan Tang-che Railway Transportation Equipment Co., Ltd. 唐山唐車威奧軌道交通設備有限公司	287,012	183,427	103,585	13,801	(13,816)

Name of Associate	Year ended 31 December 2013				
	Total assets	Total liabilities	Net assets	Revenue	Profit/ (Loss)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Beijing Nankou SKF Railway Bearings Co., Ltd. 北京南口斯凱孚鐵路軸承有限公司	442,180	95,976	346,204	416,499	38,836
Datong ABB Traction Transformer Co., Ltd. 大同ABB牽引變壓器有限公司	557,113	359,586	197,527	572,075	111,439
Xi'an Alstom Yongji Electric Equipment Co., Ltd. 西安阿爾斯通永濟電氣設備有限公司	109,174	49,238	59,936	105,758	15,973
Shanghai Alstom Transport Electric Equipment Co., Ltd. 上海阿爾斯通交通電氣設備有限公司	546,829	391,154	155,675	373,535	31,619
Alstom Qingdao Railway Equipment Co., Ltd. 青島阿爾斯通鐵路設備有限公司	165,178	62,577	102,601	134,273	39,617
Xinyang Amsted Tonghe Wheels Co., Ltd. 信陽同合車輪有限公司	990,964	440,078	550,886	616,338	47,645
Tianjin Electric Locomotive Co., Ltd. 天津電力機車有限公司	1,640,001	758,112	881,889	198,986	(28,826)
Tangshan Tang-che Railway Transportation Equipment Co., Ltd. 唐山唐車威奧軌道交通設備有限公司	264,572	182,005	82,567	10,015	(21,048)

(2) Reconciliation of the summarised financial information presented to the carrying amounts of the Group's interest in the material associates:

	At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Beijing Nankou Railway Bearings Co. Ltd., 北京南口斯凱孚鐵路軸承有限公司	134,136	150,635	169,640
Datong ABB Traction Transformer Co., Ltd. 大同 ABB 牽引變壓器有限公司	114,785	96,657	98,764
Xi'an Alstom Yongji Electric Equipment Co., Ltd. 西安阿爾斯通永濟電氣設備有限公司	19,200	21,542	29,369
Shanghai Alstom Transport Electric Equipment Co., Ltd. 上海阿爾斯通交通電氣設備有限公司	63,508	50,258	62,270
Alstom Qingdao Railway Equipment Co., Ltd. 青島阿爾斯通鐵路設備有限公司	36,366	39,643	50,274
Xinyang Amsted Tonghe Wheels Co., Ltd. 信陽同合車輪有限公司	142,270	127,916	114,168
Tianjin Electric Locomotive Co., Ltd. 天津電力機車有限公司	42,000	398,438	385,826
Tangshan Tang-che Railway Transportation Equipment Co., Ltd. 唐山唐車威奧軌道交通設備有限公司	29,351	25,896	20,642

Aggregate information of associates that are not individually material:

	At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	41,466	43,410	62,290

	Year ended 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Aggregate amounts of the Group's share of those associates' profit from continuing operations	5,192	3,082	1,474
Total comprehensive income	5,192	3,082	1,474

17 INTEREST IN JOINT VENTURES

The Group

	At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	703,031	783,053	944,177

The following list contains only the particulars of material joint ventures, as at 31 December 2013, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of associates	Form of business structure	Place of establishment/ incorporation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the company	Proportion of ownership interest: Held by subsidiary	Principal activities
Hitachi Yonge Electric Equipment Co.,Ltd. 日立永濟電器設備公司	Incorporation	The PRC	US$35,460,000	50%	—	50%	Manufacturing and selling of locomotives accessories
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd. 瀋陽北車西屋軌道制動技術有限公司	Incorporation	The PRC	RMB138,000,000	50%	—	50%	Manufacturing and selling of locomotives accessories
Qingdao FAIVELEY SRI Rail Brake Co., Ltd 青島四方法維萊軌道制動有限公司	Incorporation	The PRC	RMB30,000,000	50%	—	50%	Manufacturing and selling of locomotives accessories
Dalian Toshiba Locomotive Electric Equipment Co., Ltd. 大連東芝機車電氣設備有限公司	Incorporation	The PRC	US$7,416,500	50%	—	50%	Manufacturing and selling of locomotives accessories
Changchun Bombardier Railway Vehicles Co., Ltd. 長春長客 — 龐巴迪軌道車輛有限公司	Incorporation	The PRC	RMB239,450,000	46.77%	—	50%	Manufacturing and selling of locomotives accessories
Changchun Diandi Int'l Industrial Co., Ltd. 長春帝安帝國際實業有限責任公司	Incorporation	The PRC	US$900,000	46.77%	—	50%	Manufacturing and selling of locomotives accessories
Beijing Danobat CNR Feb. 7th Machine Tools Manufacturing Co., Ltd. 北京北車二七達諾巴特機床製造有限公司	Incorporation	The PRC	RMB10,000,000	50.1%	—	50.1%	Research, development and manufacturing ofnumerical control machine tools

The English translation of the company names for entities established in the PRC is for reference only. The official names of the companies established in the PRC are in Chinese.

There is no significant adjustment for any differences in accounting policies in material joint ventures.

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

(1) Summary of financial information of the material joint ventures:

	Year ended 31 December 2011				
Name of Joint Venture	**Total assets**	**Total liabilities**	**Net assets**	**Revenue**	**Profit/ (Loss)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Hitachi Yonge Electric Equipment Co., Ltd. 日立永濟電器設備公司	1,405,750	981,638	424,112	716,682	45,680
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd. 瀋陽北車西屋軌道制動技術有限公司	228,408	72,811	155,597	197,231	3,742
Qingdao FAIVELEY SRI Rail Brake Co., Ltd 青島四方法維萊軌道制動有限公司	340,264	223,669	116,565	509,151	66,982
Dalian Toshiba Locomotive Electric Equipment Co., Ltd. 大連東芝機車電氣設備有限公司	1,969,615	1,603,283	366,332	1,847,319	97,211
Changchun Bombardier Railway Vehicles Co., Ltd. 長春長客 —龐巴迪軌道車輛有限公司	1,049,447	742,341	307,106	77,559	(35,854)
Changchun Diandi Int'l Industrial Co., Ltd. 長春帝安帝國際實業有限責任公司	41,667	12,829	28,838	71,815	2,239

Name of Joint Venture	Year ended 31 December 2012				
	Total assets	Total liabilities	Net assets	Revenue	Profit/ (Loss)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Hitachi Yongji Electric Equipment Co. Ltd. 日立永濟電器設備公司	1,741,027	1,229,318	511,709	868,551	87,597
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd. 瀋陽北車西屋軌道制動技術有限公司	210,807	60,937	149,870	155,931	(5,727)
Qingdao FAIVELEY SRI Rail Brake Co., Ltd 青島四方法維萊軌道制動有限公司	292,349	129,092	163,257	292,617	46,692
Dalian Toshiba Locomotive Electric Equipment Co., Ltd. 大連東芝機車電氣設備有限公司	1,821,034	1,421,225	399,809	1,809,627	91,317
Changchun Bombardier Railway Vehicles Co., Ltd. 長春長客 —龐巴迪軌道車輛有限公司	1,358,254	1,048,815	309,439	483,343	2,334
Changchun Diandi Int'l Industrial Co., Ltd. 長春帝安帝國際實業有限責任公司	33,335	2,762	30,573	30,037	1,735

	Year ended 31 December 2013				
Name of Joint Venture	**Total assets**	**Total liabilities**	**Net assets**	**Revenue**	**Profit/ (Loss)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Hitachi Yonge Electric Equipment Co., Ltd. 日立永濟電器設備公司	1,834,635	1,125,251	709,384	1,016,143	210,035
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd. 瀋陽北車西屋軌道制動技術有限公司	210,493	66,537	143,956	136,541	(5,914)
Qingdao FAIVELEY SRI Rail Brake Co., Ltd 青島四方法維萊軌道制動有限公司	427,044	236,010	191,034	313,428	26,495
Dalian Toshiba Locomotive Electric Equipment Co., Ltd. 大連東芝機車電氣設備有限公司	2,473,624	1,987,136	486,488	2,036,373	141,013
Changchun Bombardier Railway Vehicles Co., Ltd. 長春長客 —龐巴迪軌道車輛有限公司	1,227,953	909,834	318,119	672,240	8,680
Changchun Diandi Int'l Industrial Co., Ltd. 長春帝安帝國際實業有限責任公司	34,459	1,506	32,953	25,507	2,381

*(2) **Reconciliation of the summarised financial information presented to the carrying amounts of the Group's interest in joint ventures:***

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Hitachi Yonge Electric Equipment Co.,Ltd. 日立永濟電器設備公司	212,056	255,855	354,692
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd. 瀋陽北車西屋軌道制動技術有限公司	77,799	74,935	71,978
Qingdao FAIVELEY SRI Rail Brake Co., Ltd 青島四方法維萊軌道制動有限公司	58,283	81,629	95,517
Dalian Toshiba Locomotive Electric Equipment Co., Ltd. 大連東芝機車電氣設備有限公司	183,166	199,905	243,244
Changchun Bombardier Railway Vehicles Co., Ltd. 長春長客—龐巴迪軌道車輛有限公司	153,553	154,720	159,060
Changchun Diandi Int'l Industrial Co., Ltd. 長春帝安帝國際實業有限責任公司	14,419	15,287	16,477

18 OTHER NON-CURRENT ASSETS

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Long-term trade receivables — third parties	—	12,914	1,088,926
Long-term construction contract receivables — third parties	—	1,646,948	4,443,657
Long-term finance lease receivables — third parties	1,338,482	3,537,444	5,837,420
Less: allowance for doubtful debts	2,592	1,655	61,601
	1,335,890	5,195,651	11,308,402
Less: current portion of long-term receivables	402,473	1,040,256	4,239,021
Available-for-sale investments	140,454	147,390	158,823
Less: impairment loss	—	—	24,727
	1,073,871	4,302,785	7,203,477
Investment prepayment	—	100,000	—
Other intangible assets prepayments	—	—	123,190
Long-term prepaid expenses	1,126	771	1,143
Long-term prepayments for property, plant and equipment	852,140	1,033,719	1,049,142
	853,266	1,134,490	1,173,475
	1,927,137	5,437,275	8,376,952

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Loans to subsidiaries	5,041,680	10,743,795	15,760,448
Investment prepayment	—	75,890	1,980
	5,041,680	10,819,685	15,762,428

19 CONSTRUCTION CONTRACTS

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Contract costs incurred plus recognized profits less recognized losses in connection with construction contracts in progress	13,730	1,681,453	26,562
Less: progress billings	1,663	1,669,253	23,193
Gross amounts due to customers for contract work	12,067	12,200	3,369

The gross amounts due from customers for contract work as at 31 December 2011, 2012 and 2013 that were expected to be recovered after more than one year were nil, RMB1,638.94 million and RMB2,249.15 million respectively.

20 INVENTORIES

Inventories in the consolidated statements of financial position:

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Cost, net of provision			
Raw materials	11,143,583	8,317,891	7,514,808
Work in progress	17,835,340	13,939,966	9,099,758
Finished goods	1,872,551	2,347,167	1,947,423
Others	267,988	109,174	74,801
	31,119,462	24,714,198	18,636,790

(a) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	76,750,485	78,237,284	79,761,789

21 TRADE AND BILLS RECEIVABLES

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables for sale of goods and rendering of services due from:			
— related parties	249,728	223,372	422,386
— third parties	15,951,295	22,036,932	31,057,779
	16,201,023	22,260,304	31,480,165
Less: allowance for doubtful debts	314,487	446,823	1,095,199
	15,886,536	21,813,481	30,384,966
Bills receivable for sale of goods and rendering of services due from:			
— related parties	1,106	12,810	4,247
— third parties	838,208	876,520	1,530,053
	839,314	889,330	1,534,300
Gross amounts due from customers for contract work	12,067	12,200	3,369
	16,737,917	22,715,011	31,922,635

Note: Trade and bills receivables include bills discounted to banks or endorsed to suppliers and factored trade receivables with recourse totalling RMB607.04 million, RMB63.00 million and RMB1,373.68 million as at 31 December 2011, 2012 and 2013 respectively. These receivables were not derecognised as the Group remains exposes to the credit risk of these receivables. The carrying amounts of the associated bank loans and trade payables were RMB597.67 million, RMB63.00 million and RMB1,316.13 million as at 31 December 2011, 2012, and 2013 respectively.

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables for sale of goods and rendering of services due from:			
— subsidiaries	17,473	44,870	—
— third parties	5,116	5,901	1,001,871
	22,589	50,771	1,001,871
Less: allowance for doubtful debt	78	39	—
	22,511	50,732	1,001,871

(a) Aging analysis

The aging analysis of trade and bills receivables of the Group and the Company, based on invoice date and net of allowance for doubtful debts, is as follows:

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	12,744,470	15,620,247	25,087,470
6 to 12 months	2,703,512	4,587,754	3,389,604
Over 1 year	1,289,935	2,507,010	3,445,561
Trade and bills receivables, net of allowance for doubtful debts	16,737,917	22,715,011	31,922,635

The Group generally requires its customers to make payment before or upon delivery, however, the Group granted certain credit periods to those long standing customers with bulk purchases and good payment history. The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate.

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	20,212	45,469	1,001,871
6 to 12 months	1,596	4,951	—
Over 1 year	703	312	—
Trade and bills receivables, net of allowance for doubtful debts	22,511	50,732	1,001,871

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group and the Company are satisfied that recovery of the amount are remote, in which case the impairment loss is written off against trade and bills receivables directly (see note 1(p)(i)).

The movement in the allowance for doubtful debts during the Track Record Period, including both specific and collective loss components, is as follows:

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	222,316	314,487	446,823
Impairment losses recognized	102,202	174,103	656,246
Acquisition of subsidiaries	—	537	256
Reversal of impairment losses	(8,350)	(41,035)	(169)
Acquisition of business under common control	—	—	(661)
Uncollectible amounts written off	(1,681)	(1,269)	(7,296)
At the end of the year	314,487	446,823	1,095,199

As at 31 December 2011, 2012 and 2013, the Group's trade and bills receivables of RMB17.10 million, RMB22.11million and RMB901.72 million respectively were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of RMB2.86 million, RMB7.38 million, RMB426.03 million were respectively recognized.

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	—	78	39
Impairment losses recognized	78	—	148
Reversal of impairment losses	—	(39)	(187)
At the end of the year	78	39	—

(c) Trade and bills receivables those are not impaired

The aging analyses of trade and bills receivables of the Group that are neither individually nor collectively considered to be impaired are as follows:

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	9,211,280	10,522,994	18,729,188
Less than 1 month past due	1,167,004	1,125,017	2,701,647
1 to 3 months past due	778,383	1,352,933	2,209,832
3 to 12 months past due	1,489,489	2,716,060	2,798,885
More than 12 months past due	23,471	132,440	13,917
Amounts past due	3,458,347	5,326,450	7,724,281
	12,669,627	15,849,444	26,453,469

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group or entered into collateral with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of their balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

22 PREPAYMENTS, DEPOSITS, AND OTHER RECEIVABLES

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Derivative financial instruments	30,918	19,650	4,907
Dividend receivables	62,270	24,204	20,694
Interest receivables	1,621	1,743	16,237
Current portion of long-term receivables	403,203	1,040,801	4,286,672
Prepayments for purchase of inventories			
— other related parties	70,453	24,712	14,120
— third parties	6,688,527	5,428,456	4,861,140
Advances to			
— other related parties	1,884	59	7,693
— third parties	230,348	447,708	934,503
Advances to staff	63,937	87,642	74,121
Other deposits	323,765	223,553	174,729
Others	618,601	586,328	815,963
Less: allowance for doubtful debts	107,985	100,726	382,107
	8,387,542	7,784,130	10,828,672

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Entrust loans	10,515,110	10,218,925	9,613,350
Dividend receivables			
— subsidiaries	488,793	2,149,982	276,198
Interest receivables	32,403	41,060	44,424
Prepayments for purchase of inventories			
— subsidiaries	193,747	175,790	—
— third parties	191,519	242,302	—
Advances to subsidiaries	242,380	—	—
Advances to staff	51	20	90
Other deposits	6,013	6	3,200
Others	13,439	10,518	194,178
	11,683,455	12,838,603	10,131,440

(a) Impairment of deposits, prepayments and other receivables

Impairment losses in respect of deposits, prepayments and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against deposits, prepayments and other receivables directly (note 1(p)(i)).

The movement in the allowance for bad and doubtful accounts during the Track Record Period, including both specific and collective loss components, is as follows:

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	80,607	107,985	100,726
Impairment losses recognized	31,826	20,005	295,872
Acquisition of subsidiaries	—	181	—
Reversal of impairment losses	(4,100)	(27,438)	—
Disposal of a subsidiary	—	—	(14,445)
Uncollectible amounts written off	(348)	(7)	(46)
At the end of the year	107,985	100,726	382,107

23 RESTRICTED DEPOSITS

Restricted deposits mainly represent guarantee deposits and statutory deposit reserve funds. The guarantee deposits are pledged as collateral for bills payable and housing maintenance fund designated for specific purposes as requested by PRC regulations. And the subsidiary of the Company, CNR Financial Co., Ltd. places statutory deposit reserves with the People's Bank of China ("PBOC"), which are not available for use in the Group's daily business.

24 CASH AND CASH EQUIVALENTS

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Cash in hand	1,238	1,388	1,474
Cash at bank	5,893,506	8,378,365	7,112,934
Cash and cash equivalents	5,894,744	8,379,753	7,114,408

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Cash in hand	3	17	—
Cash at bank	891,114	1,163,835	286,922
Cash and cash equivalents	891,117	1,163,852	286,922

25 INTEREST-BEARING LOANS AND BORROWINGS

(a) The analysis of the long-term interest-bearing borrowings of the Group and the Company is as follows:

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Entrusted loans			
— Unsecured	5,500	5,500	—
Bank loans			
— Secured	—	—	5,000
— Unsecured	319,660	370,033	1,410,277
	325,160	375,533	1,415,277
Less: Current portion of long-term borrowings	100,000	350,000	—
	225,160	25,533	1,415,277

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans			
— Unsecured	—	—	490,000

(b) The analysis of the short-term interest-bearing borrowings of the Group and the Company is as follows:

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Entrusted loans			
— Unsecured	1,200,000	20,000	601,980
Bank loans			
— Secured	565,516	50,000	1,243,132
— Unsecured	8,345,004	5,690,600	8,761,684
Other loans			
— Secured	—	—	8,000
Short-term inter-bank corporate bonds			
— Unsecured	7,987,852	13,984,474	9,994,357
Add: Current portion of long-term borrowings	100,000	350,000	—
	18,198,372	20,095,074	20,609,153

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Entrusted loans			
— Unsecured	1,750,000	1,100,000	5,396,980
Bank loans			
— Secured	—	—	987,832
— Unsecured	4,600,000	4,800,000	6,650,000
Short-term inter-bank corporate bonds			
— Unsecured	7,987,852	13,984,474	9,994,357
	14,337,852	19,884,474	23,029,169

(c) The interest rates per annum on borrowings of the Group and the Company are as follows:

The Group

	At 31 December		
	2011	**2012**	**2013**
	%	%	%
Long-term interest-bearing loans			
— Unsecured	0.20-6.70	0.20-6.21	0.20-4.20
Short-term interest-bearing loans and borrowings			
Entrusted loans	4.66-5.24	6.00-6.31	4.40
Bank loans	1.99-8.10	4.20-6.69	3.90-7.00
Others loans	—	—	10.00
Short-term inter-bank corporate bonds	4.35-5.43	3.39-5.43	3.75-5.30

The Company

	At 31 December		
	2011	**2012**	**2013**
	%	%	%
Long-term interest-bearing loans			
— Unsecured	—	—	4.20
Short-term interest-bearing loans and borrowings			
Entrusted loans	3.10-5.49	3.05-5.40	3.05-4.48
Bank loans	5.85-7.22	5.04-5.15	3.90-5.60
Short-term inter-bank corporate bonds	4.35-5.43	3.39-5.43	3.75-5.30

(d) The analysis of the long-term loans repayable of the Group and the Company is as follows:

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Loans			
— Within one year, inclusive or on demand	113,776	448,089	58,581
— In the second year, inclusive	13,776	382	1,411,508
— In the third to fifth year, inclusive	41,299	785	5,237
— Beyond five years	293,775	20,915	21,133
	462,626	470,171	1,496,459

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Loans			
— Within one year, inclusive or on demand	—	—	20,580
— In the second year, inclusive	—	—	501,446
	—	—	522,026

26 TRADE AND BILLS PAYABLES

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables to			
— related parties	1,483,591	1,435,572	2,401,222
— third parties	21,217,144	22,219,447	25,623,403
	22,700,735	23,655,019	28,024,625
Bills payables to			
— related parties	151,264	354,201	198,917
— third parties	7,948,403	9,338,274	7,802,714
	8,099,667	9,692,475	8,001,631
	30,800,402	33,347,494	36,026,256

As of each end of the reporting period, the aging analysis of trade and bills payables, based on the invoice date, is as follows:

	At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	24,650,047	28,350,412	30,725,880
6 to 12 months	5,167,177	4,337,742	4,205,000
Over 1 year	983,178	659,340	1,095,376
	30,800,402	33,347,494	36,026,256

27 OTHER PAYABLES AND ACCRUALS

The Group

	At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Interest payables			
— related parties	1,318	1,009	512
— third parties	222,818	205,007	280,978
Payables for staff related costs	687,898	683,706	619,555
Payables for other taxes and surcharges	783,610	1,021,926	1,691,172
Dividends payables	190,280	180,460	121,337
Other accruals and payables			
— related parties	65,761	56,346	515,362
— third parties	2,032,752	2,307,687	2,699,183
	3,984,437	4,456,141	5,928,099
Derivative financial liabilities	22,046	9,267	1,201
Receipts in advance			
— related parties	1,340	1,604	128,971
— third parties	11,338,640	6,340,281	10,004,859
	11,339,980	6,341,885	10,133,830
	15,346,463	10,807,293	16,063,130

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Interest payables			
— related parties	1,634	804	3,339
— third parties	208,247	202,779	265,519
Payables for staff related costs	13,334	13,522	15,697
Payables for other taxes and surcharges	1,781	2,880	2,016
Other accruals and payables			
— related parties	—	447,550	63,453
— third parties	62,248	77,228	139,739
Receipts in advance			
— related parties	9,000	10,299	—
— third parties	457,237	312,215	23,277
	753,481	1,067,277	513,040

28 DEFINED BENEFIT OBLIGATIONS

In addition to the monthly contributions to various defined contribution pension schemes regulated by the PRC government, the Group provided supplementary pension subsidies to certain qualified employees. The amounts of employee benefit obligations recognized in the statements of financial position represent the present value of the unfunded obligations.

The plans are funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The employee benefit obligations were determined based on actuarial valuation performed by Mercer Consulting, a member of the Society of Actuaries of the United States of America, using the projected unit credit method.

The plans expose the Group to actuarial risks, such as interest rate risk, and longevity risk. Since the retirement plans have similar risks and features, information about the plans is aggregated and disclosed below:

(a) The amounts recognized in the consolidated statements of financial position are as follows:

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Present value of wholly funded obligations	2,735,578	2,494,331	2,378,757

(b) Movements in the present value of the defined benefit obligations:

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January,	2,951,699	2,735,578	2,494,331
Remeasurements:			
— Actuarial losses/(gain) arising from changes in financial assumptions	89,476	(45,460)	(219,797)
— Actuarial (gain)/losses arising from changes other in assumptions	(4,650)	80,202	204,897
	84,826	34,742	(14,900)
Benefits paid by the plans	(361,331)	(341,573)	(300,814)
Past service cost	(47,680)	(24,281)	110,387
Interest cost	108,064	89,865	89,753
Current portion at the end of year	290,621	264,611	247,518
Non-current portion at the end of year	2,444,957	2,229,720	2,131,239

The weighted average durations of the defined benefit obligations are listed as follows:

	At 31 December		
	2011	**2012**	**2013**
Early retirement benefit plan	3.4	3.2	3.1
Pension and subsidy plan outside retirement unified planning	11.9	11.7	10.6
Supplementary medical reimbursement plan	6.5	6.3	5.8

(c) Amounts recognized in the consolidated statements of profit or loss and other comprehensive income are as follows:

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Past service cost	(47,680)	(24,281)	110,387
Net interest on net defined benefit liabilities	108,064	89,865	89,753
Total amounts recognized in profit or loss	60,384	65,584	200,140
Actuarial losses/(gain)			
Total amounts recognized in other comprehensive income	84,826	34,742	(14,900)
Total defined benefit costs	145,210	100,326	185,240

The past service cost and the net interest on net defined benefit liabilities are recognized in the following line items in the consolidated statements of profit or loss:

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Administrative expenses	(47,680)	(24,281)	110,387
Finance cost	108,064	89,865	89,753
Actuarial losses/(gain)			
Total amounts recognized in other comprehensive income	84,826	34,742	(14,900)
Total defined benefit costs	145,210	100,326	185,240

(d) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

(i) Significant actuarial assumptions

	At 31 December		
	2011	**2012**	**2013**
Discount rate	2.9%-3.7%	3.1%-3.9%	4.4%-4.8%
Welfare annual growth rate	8%-9.5%	8%-9.5%	8%-9.5%
Growth rate of medical expenses	8.00%-10.00%	7.00%-9.00%	7.00%-8.00%
The average life expectancy is expected in the future	Reference in 2005 China Life Insurance Mortality Table (2000-2003)		

(ii) Sensitivity analysis

The below analysis shows how the defined benefit obligations would have increased (decreased) as a result of 0.5% change in the significant actuarial assumptions:

	At 31 December					
	2011		2012		2013	
	Increase In 0.5%	Decrease In 0.5%	Increase In 0.5%	Decrease In 0.5%	Increase In 0.5%	Decrease In 0.5%
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Welfare growth rate	133,297	(132,632)	121,337	(120,732)	109,982	(101,233)
Discount rate	(127,952)	140,569	(116,472)	127,957	(101,158)	111,075

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

29 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 26 October 2012, "China CNR Corporation Limited Share Option Scheme" (the "Share Option Scheme") which was effective from 1 November, 2012 was approved at the general meeting. The eligible participants of the Share Option Scheme included the Company and subsidiaries' directors, senior management (independent non-executive directors and supervisors excluded), and key technical personnel and management personnel who have direct contribution to the performance and continuing development of the Group. According to the Share Option Scheme, the eligible participants have the right to subscribe the share option at RMB4.34 per share. On 26 August 2013, the exercise price of the share option was modified to RMB4.24 per share which was approved by the board of directors.

The Company granted 85,333,500 share options to the participants under the Share Option Scheme to subscribe for 85,333,500 shares. The number of the share options granted accounted for 0.82% of the total number of shares in issue, and have a validity period of 7 years. The share option granted shall become exercisable in three batches after the expiry of the two-year lock-up period from the grant date according to the following effective arrangements:

Percentage Exercisable	**Date for vesting of the relevant percentage of the option**
Lot 1: 33% of the total share options granted	The first trading day after the expiration of the 24-month/2-year period following the grant date
Lot 2: 33% of the total share options granted	The first trading day after the expiration of the 36-month/3-year period following the grant date
Lot 3: 34% of the total share options granted	The first trading day after the expiration of the 48-month/4-year period following the grant date

As at 31 December 2013 and 2012, the accumulated amount of equity-settled share-based arrangement in capital reserve is RMB38.59 million and RMB5.39 million respectively.

The share option expense during the year ended 31 December 2012 and 2013 were RMB5.39 million and RMB33.20 million, respectively.

As at 31 December 2013 and 2012, there were no exercised or expired share options.

(a) The terms and conditions of the grants are as follows:

	Number of Instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
— on 1 November 2012 the date of the grant	3,612,000	2 years from	7 years
Options granted to employees:			
— on 1 November 2012 the date of the grant	81,721,500	2 years from	7 years
Total share options granted	85,333,500		

(b) The number and weighted average exercise prices of share options are as follows:

	Year ended 31 December 2012		Year ended 31 December 2013	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	—	—	4.34	85,333,500
Granted during the year	4.34	85,333,500	—	—
Outstanding at the end of the year	4.34	85,333,500	4.24	85,333,500

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes model. The contractual life of the share option is used as an input into this model.

Fair value of share options and assumptions

	At 1 November 2012	At 26 August 2013
Fair value at measurement date	1.0522	1.1308
Share price	4.01	4.27
Exercise price	4.34	4.24
Expected volatility	31.206%	31.780%
Option life	7 years	7 years
Expected dividends	1.11%	2.21%
Risk-free interest rate	3.10%-3.26%	4.62%-4.63%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share option grants.

30 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the statements of financial position represents:

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Income tax payable at 1 January	85,079	156,030	273,238
Provision for the year *(note 6)*	586,497	639,000	1,038,222
Acquisition of subsidiaries	—	1,888	(1,064)
Income tax paid	(545,465)	(571,335)	(771,408)
Income tax refunds received	7,924	41,606	18,902
Reclassified to income taxrecoverable	21,995	6,049	(36,233)
Income tax payable at end of the year	156,030	273,238	521,657

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Income tax recoverable at 1 January	17,458	39,453	45,502
Reclassified from income tax payable	21,995	6,049	(36,233)
Income tax recoverable at end of the year	39,453	45,502	9,269

(b) Deferred tax assets and liabilities recognized:

(i) The components of deferred tax assets/(liabilities) recognized in the consolidated statements of financial position as at 31 December 2011, 2012 and 2013 and the movements during the Track Record Period are as follows:

The Group

Deferred tax assets arising from	**Provision for impairment of assets** *RMB'000*	**Tax losses** *RMB'000*	**Provision for product warranties** *RMB'000*	**Unrealized profit** *RMB'000*	**Adjustments arising from available-for-sale investments** *RMB'000*	**Government grants** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2011	56,934	12,418	38,456	35,904	—	11,955	13,826	169,493
Charged/(credited) to profit or loss	25,607	(5,056)	32,246	33,023	—	2,590	2,401	90,811
Credited to reserves	—	—	—	—	(5,602)	—	(2,598)	(8,200)
At 31 December 2011	82,541	7,362	70,702	68,927	(5,602)	14,545	13,629	252,104
Charged to profit or loss	13,381	6,831	5,188	4,804	—	1,211	4,477	35,892
Acquisition of subsidiaries	(1,074)	—	—	—	—	—	—	(1,074)
Credited to reserves	—	—	—	—	(837)	—	—	(837)
At 31 December 2012	94,848	14,193	75,890	73,731	(6,439)	15,756	18,106	286,085
Charged/(credited) to profit or loss	162,453	(8,227)	35,439	(35,192)	—	4,423	6,198	165,094
Charged to reserves	—	—	—	—	158	—	—	158
At 31 December 2013	257,301	5,966	111,329	38,539	(6,281)	20,179	24,304	451,337

Deferred tax liabilities arising from	Provision for impairment of assets *RMB'000*	Tax losses *RMB'000*	Provision for product warranties *RMB'000*	Unrealized profit *RMB'000*	Adjustments arising from available-for-sale investments *RMB'000*	Government grants *RMB'000*	Others RMB'000 *RMB'000*	Total *RMB'000*
At 1 January 2011	(4,591)	(31)	(10,187)	—	30,219	—	—	15,410
Charged to profit or loss	4,591	31	10,187	—	—	—	—	14,809
Credited to reserves	—	—	—	—	(29,537)	—	—	(29,537)
At 31 December 2011	—	—	—	—	682	—	—	682
Charged to reserves	—	—	—	—	104	—	—	104
At 31 December 2012	—	—	—	—	786	—	—	786
Acquisition of business under common control	—	—	—	—	(786)	—	—	(786)
Charged to reserves	—	—	—	—	1,183	—	—	1,183
At 31 December 2013	—	—	—	—	1,183	—	—	1,183

(ii) Reconciliation to the consolidated statements of financial position

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognized in the statements of financial position	252,104	286,085	451,337
Net deferred tax liability recognized in the statements of financial position	682	786	1,183

(c) Deferred tax assets not recognized

The Group

In accordance with the accounting policy set out in note 1(x), the Group has not recognized deferred tax assets in respect of unused tax losses of RMB1,101.46 million, RMB1,367.02 million and RMB1,701.49 million as at 31 December 2011, 2012 and 2013, respectively, as the certain subsidiaries are not probable that future taxable profits against which the losses or the temporary differences can be utilised will be available in the relevant tax jurisdictions and entities. The unused tax losses will expire in the follow years:

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
2012	264	—	—
2013	64,055	31,114	—
2014	284,519	274,753	93,263
2015	400,260	376,773	338,990
2016	352,363	347,852	352,805
2017	—	336,525	331,013
2018	—	—	585,419
Total	1,101,461	1,367,017	1,701,490

31 PROVISION FOR WARRANTIES

The movements of provisions for product warranty during the Track Record Period are as follows:

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	315,936	483,229	471,558
Additions	459,759	379,329	516,099
Provisions utilized	(292,466)	(391,000)	(451,757)
At the end of the year	483,229	471,558	535,900

Under the terms of the Group's sales agreements, the Group will supply repair services in the warranty periods within 1 to 9 years since the date of sale. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within 1 to 9 years prior to the end of the Track Record Period.

32 OTHER NON-CURRENT LIABILITIES

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Long-term finance lease payable — third parties	764,430	—	—
Government grants	2,422,542	2,745,696	2,882,561
Other non-current liabilities	67,957	72,414	159,408
	3,254,929	2,818,110	3,041,969

33 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliations between the opening and closing balances of each component of the Group's consolidated equity during the Track Record Period are set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity during the Track Record Period are set out below:

	Share capital *RMB'000*	Capital reserve *RMB'000*	Share premium *RMB'000*	PRC statutory reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2011	8,300,000	8,490	13,792,796	152,458	651,415	22,905,159
Changes in equity:						
Profit and total comprehensive income for the year	—	—	—	—	855,306	855,306
Appropriation of reserve	—	—	—	85,531	(85,531)	—
Dividends proposed during the year	—	—	—	—	(415,000)	(415,000)
Excess of the acquirers' additional interests in the carrying value of identifiable net assets over the cost of acquisition of additional interests in subsidiaries	—	—	(332,391)	—	—	(332,391)
At 31 December 2011	8,300,000	8,490	13,460,405	237,989	1,006,190	23,013,074

	Share capital	Capital reserve	Share premium	PRC statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	8,300,000	8,490	13,460,405	237,989	1,006,190	23,013,074
Changes in equity:						
Profit and total comprehensive income for the year	—	—	—	—	2,511,599	2,511,599
Appropriation of reserve	—	—	—	251,160	(251,160)	—
Capital contribution from right issues	2,020,056	—	4,853,585	—	—	6,873,641
Equity-settled share-based transaction	—	5,387	—	—	—	5,387
Dividends proposed during the year	—	—	—	—	(516,003)	(516,003)
At 31 December 2012	10,320,056	13,877	18,313,990	489,149	2,750,626	31,887,698
At 1 January 2013	10,320,056	13,877	18,313,990	489,149	2,750,626	31,887,698
Changes in equity:						
Profit and total comprehensive income for the year	—	—	—	—	1,194,990	1,194,990
Equity-settled share-based transaction	—	33,202	—	119,499	(119,499)	33,202
Dividends proposed during the year	—	—	—	—	(1,032,006)	(1,032,006)
At 31 December 2013	10,320,056	47,079	18,313,990	608,648	2,794,111	32,083,884

(b) Dividends

(i) Dividends payable

Dividends payable to equity shareholders of the Company attributable to the Track Record Period:

	Years ended 31 December					
	2011		**2012**		**2013**	
	RMB/per ordinary	*RMB'000*	*RMB/per ordinary*	*RMB'000*	*RMB/per ordinary*	*RMB'000*
Dividend proposed after the end of the reporting period	0.05	415,000	0.05	516,003	0.1	1,032,006

On 28 March 2014, the boards of directors resolved to make a dividend distribution of RMB2,064.01 million (RMB0.2/per ordinary). The final dividend proposed after the end of the reporting period has not been recognized as a liability as at 31 December 2013 and 2012, 2011.

(c) Share capital

(i) Issued share capital

	Years ended 31 December					
	2011		**2012**		**2013**	
	No. of shares *'000*	*RMB'000*	**No. of shares** *'000*	*RMB'000*	**No. of shares** *'000*	*RMB'000*
Ordinary shares, issued and fully paid:						
At 1 January	8,300,000	8,300,000	8,300,000	8,300,000	10,320,056	10,320,056
Capital contribution from right issues	—	—	2,020,056	2,020,056	—	—
At the end of the year	8,300,000	8,300,000	10,320,056	10,320,056	10,320,056	10,320,056

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

(ii) Capitalisation issue

According to Zheng Jian Xu Ke [2012] No.184 ("The Official Approval about China CNR Corporation Limited Share Allotment") issued by CSRC, the Company has offered the shares on the basis of 2.5 shares for every 10 existing shares held (involving the entire share capital of 8,300,000,000 shares), to all shareholders whose names appeared on the register of members of the Company, as maintained by China Securities Depository and Clearing Corporation Limited, Shanghai Branch, after the close of trading on the Shanghai Stock Exchange on the Share Record Date (i.e. 24 February 2012), and the par value of share was RMB1.00 each. As of 6 March 2012, a total of 2,020,056,000 shares were held by shareholders, and the Company's registered capital and share capital both increased to RMB10,320,056,000 as the results of the capitalisation issue.

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve mainly represents capital premium, contributions from equity shareholders, and the difference between the considerations of acquisition or disposal of equity interests from/to non-controlling equity owners and the carrying amount of the proportionate net assets.

(ii) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

(iii) PRC statutory reserve

The Group appropriated PRC statutory reserve from retained profits according to PRC laws and regulations during the Track Record Period.

— The subsidiaries in the PRC are required to appropriate 10% of its after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity shareholders. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Company and is non- distributable other than in liquidation.

— Pursuant to relevant MOF notices, the financing institution is required to set aside a general reserve to cover potential losses against its assets. Effective from 1 July, 2012, the minimum general reserve balance should increase to 1.5% of the ending balance of gross risk- bearing assets with a transition period of five years. The CNR Finance Corp., Ltd., the subsidiary of the Company, has complied with the above requirements as of 31 December 2013 and plans to comply with the above requirements during the transition period.

(iv) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than the RMB which are dealt with in accordance with the accounting policies as set out in note 1(aa).

(e) Distributability of reserves

Under the Company Law of the PRC and the Company's Articles of Association, net profit after tax as reported in the statutory financial statements prepared in accordance with the accounting rules and regulations of the PRC can only be distributed as dividends after allowances have been made for the following:

(i) Making up prior years' cumulative losses, if any;

(ii) Allocations to the statutory reserve as set out in note 33(d)(iii) above; and

(iii) Allocations to the discretionary common reserve if approved by the shareholders.

After the listing of the Company's shares on HKSE, in accordance with the Articles of Association of the Company, the net profit after tax of the Company for the purpose of dividends payment will be the lesser of (i) the net profit determined in accordance with the accounting rules and regulations of the PRC; and (ii) the net profit determined in accordance with IFRSs.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to financing at a reasonable costs.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2011, 2012 and 2013 were 73.13%, 65.99% and 67.07%, respectively.

There were no changes in the Group's approach to capital management during the Track Record Period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, and interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

The Group's credit risk is primarily attributable to cash at bank and in hand, trade and bills receivables, consignor advances, deposits, prepayments and other receivables and other non-current assets. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Substantially all of the Group's cash at bank and in hand are deposited in state-owned/controlled PRC banks or finance company owned by the Group which the directors assessed the credit risk to be insignificant.

At the respective statements of financial position dates, the Group has certain concentration of credit risk. The receivables from the five largest debtors at 31 December 2011, 2012 and 2013 represented 56%, 51% and 60% of the total trade receivables respectively, while 42%, 37% and 47% of the total trade receivables were due from the largest single debtor respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivables, deposits, prepayments and other receivables are set out in notes 21 and 22 respectively.

(b) Liquidity risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the statements of financial position date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the statements of financial position date) and the earliest date the Group and the Company can be required to pay:

The Group

		At 31 December 2011					
	notes	**Within 1 year or on demand** *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount at 31 Dec** *RMB'000*
Short-term inter-bank corporate bonds	25	8,189,591	—	—	—	8,189,591	7,987,852
Entrusted and bank loans	25	10,805,651	13,776	41,299	293,775	11,154,501	10,435,680
Other non-current liabilities		70,487	68,950	751,781	—	891,218	822,629
Trade, bills and other payables	26/27	34,806,885	—	—	—	34,806,885	34,806,885
		53,872,614	82,726	793,080	293,775	55,042,195	54,053,046

		At 31 December 2012					
	notes	**Within 1 year or on demand** *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount at 31 Dec** *RMB'000*
Short-term inter-bank corporate bonds	25	14,384,985	—	—	—	14,384,985	13,984,474
Entrusted and bank loans	25	6,503,899	382	785	20,915	6,525,981	6,136,133
Other non-current liabilities		241	252	813	32,308	33,614	32,551
Trade, bills and other payables	26/27	37,812,902	—	—	—	37,812,902	37,812,902
		58,702,027	634	1,598	53,223	58,757,482	57,966,060

		At 31 December 2013					
	notes	**Within 1 year or on demand** *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount at 31 Dec** *RMB'000*
Short-term inter-bank corporate bonds	25	10,085,147	—	—	—	10,085,147	9,994,357
Entrusted and bank loans	25	10,846,076	1,411,508	5,237	21,133	12,283,954	12,030,073
Other non-current liabilities		338	326	3,876	27,537	32,077	31,206
Trade, bills and other payables	26/27	41,960,896	—	—	—	41,960,896	41,955,556
		62,892,457	1,411,834	9,113	48,670	64,362,074	64,011,192

The Company

		At 31 December 2011					
	notes	**Within 1 year or on demand** *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount at 31 Dec** *RMB'000*
Short-term inter-bank corporate bonds	25	8,189,591	—	—	—	8,189,591	7,987,852
Bank loans	25	4,711,777	—	—	—	4,711,777	4,600,000
Entrusted loans	25	1,796,933	—	—	—	1,796,933	1,750,000
Trade, bills and other payables		306,011	—	—	—	306,011	306,011
		15,004,312	—	—	—	15,004,312	14,643,863

		At 31 December 2012					
	notes	**Within 1 year or on demand** *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount at 31 Dec** *RMB'000*
Short-term inter-bank corporate bonds	25	14,384,985	—	—	—	14,384,985	13,984,474
Bank loans	25	4,834,645	—	—	—	4,834,645	4,800,000
Entrusted loans	25	1,124,759	—	—	—	1,124,759	1,100,000
Trade, bills and other payables		800,205	—	—	—	800,205	800,205
		21,144,594	—	—	—	21,144,594	20,684,679

		At 31 December 2013					
	notes	**Within 1 year or on demand** *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount at 31 Dec** *RMB'000*
Short-term inter-bank corporate bonds	25	10,085,147	—	—	—	10,085,147	9,994,357
Bank loans	25	7,742,585	501,446	—	—	8,244,031	8,127,832
Entrusted loans	25	5,511,767	—	—	—	5,511,767	5,396,980
Trade, bills and other payables		1,600,526	—	—	—	1,600,526	1,600,526
		24,940,025	501,446	—	—	25,441,471	25,119,695

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the Track Record Period, however, management of the Group did not consider it is necessary to use interest rate swaps to hedge their exposure to interest.

(i) Interest rate profile

The following table details the profile of the Group's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at statements of financial position date. The detailed interest rates of the Group's borrowings are disclosed in note 25.

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Fixed rate borrowings:			
Entrusted and bank loans	1,817,820	166,133	5,543,289
Short-term inter-bank corporate bonds	7,987,852	13,984,474	9,994,357
Variable rate borrowings:			
Other non-current liabilities	822,629	32,551	31,206
Entrusted and bank loans	8,617,860	5,970,000	6,486,784
Deposit	—	—	422,190
Total borrowings	19,246,161	20,153,158	22,477,826
Fixed rate borrowings as a percentage of total borrowings	50.95%	70.22%	69.12%

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Fixed rate borrowings:			
Bank loans	—	2,800,000	4,387,832
Short-term inter-bank corporate bonds	7,987,852	13,984,474	9,994,357
Variable rate borrowings:			
Bank loans	4,600,000	2,000,000	4,795,000
Entrusted loans	1,750,000	1,100,000	4,341,980
Total borrowings	14,337,852	19,884,474	23,519,169
Fixed rate borrowings as a percentage of total borrowings	55.71%	84.41%	61.15%

(ii) Sensitivity analysis

On 31 December 2011, 2012 and 2013, it is estimated that a general increase of 40 basis points in interest rates of net floating borrowings, with all other variables held constant, the Group's profit after tax and retained profits would have decreased by approximately RMB32.10 million, RMB20.41 million and RMB23.60 million respectively. Other components of consolidated equity would not be affected by the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the statements of financial position date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the statements of financial position date. The impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

The estimated 40 basis points increase or decrease represents management's assessment of a reasonable change in interest rates over the period until the next statements of financial position date. The analysis is performed on the same basis for the entire Track Record Period.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash at bank and in hand that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros ("EUR"), United States dollars ("US$"), Japanese Yen ("JPY"), Hong Kong dollars ("HKD").

(i) Recognized assets and liabilities

In respect of cash at bank and in hand, receivables and payables denominated in foreign currencies, the Group considers that the net exposure to foreign currency risk is insignificant. The Group did not hedge its foreign currency exposure.

RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future.

(ii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the each reporting date. Differences resulting from the translation of the Financial Information of foreign operations into the Group's presentation currency are excluded.

The Group

	At 31 December 2011			
	US$	**EUR**	**JPY**	**HKD**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	41,239	10,776	32	85
Derivative financial instruments — assets	—	30,918	—	—
Available-for-sale investments	—	—	—	21,169
Cash and cash equivalents	248,429	311,488	1,442	9,919
Trade and bills payables	(23,207)	(519,066)	(10,115)	—
Derivative financial instruments — liabilities	—	(22,046)	—	—
Bank loans	(604,342)	(45,965)	(19,465)	—
Gross exposure arising from recognized assets and liabilities	(337,881)	(233,895)	(28,106)	31,173
Net exposure arising from recognized assets and liabilities	(337,881)	(233,895)	(28,106)	31,173

	At 31 December 2012			
	US$	**EUR**	**JPY**	**HKD**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	1,132,020	1,163,704	21	860
Derivative financial instruments — assets	—	19,650	—	—
Available-for-sale investments	—	—	—	18,267
Cash and cash equivalents	383,005	90,644	1,575	11,598
Trade and bills payables	(106,977)	(280,209)	(9,873)	(12,977)
Derivative financial instruments — liabilities	—	(9,267)	—	—
Bank loans	—	(20,033)	—	—
Gross exposure arising from recognized assets and liabilities	1,408,048	964,489	(8,277)	17,748
Net exposure arising from recognized assets and liabilities	1,408,048	964,489	(8,277)	17,748

	At 31 December 2013			
	US$	EUR	JPY	HKD
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	1,261,182	347,737	—	835
Derivative financial instruments — assets	—	4,907	—	—
Available-for-sale investments	—	—	—	35,022
Cash and cash equivalents	932,968	53,167	119	50,204
Trade and bills payables	(9,233)	(42,646)	(7,152)	(9,442)
Derivative financial instruments — liabilities	—	(1,201)	—	—
Bank loans	(1,018,316)	(20,277)	—	—
Gross exposure arising from recognized assets and liabilities	1,166,601	341,687	(7,033)	76,619
Net exposure arising from recognized assets and liabilities	1,166,601	341,687	(7,033)	76,619

The Company

	At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
US$			
Trade and bills receivables	2,196	639	1,208,699
Cash and cash equivalents	107,892	106	104
Bank loans	—	—	1,668,238
Gross exposure arising from recognized assets and liabilities	110,088	745	2,877,041
Net exposure arising from recognized assets and liabilities	110,088	745	2,877,041

(iii) Sensitivity analysis

The followings are the related foreign currency exchange rates to RMB during the Track Record Period:

	Years ended December 31					
	Average rate			Reporting date spot rate		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
US$	6.4618	6.2932	6.1912	6.3009	6.2855	6.0969
EUR	8.4845	8.2401	8.3683	8.1625	8.3176	8.4189
JPY	0.0812	0.0771	0.0654	0.0811	0.0730	0.0578
HKD	0.8308	0.8108	0.7985	0.8107	0.8108	0.7862

A 5% strengthening/weakening of RMB against the following currencies as at 31 December 2011, 2012 and 2013 would have increased/(decreased) the net profit after tax and equity by the amounts shown below. Other components of equity would not be affected by the strengthening/weakening of RMB against foreign currencies.

The Group

	Years ended 31 December					
	2011		2012		2013	
	Increase/ (Decrease) in foreign exchange rates	**Effect on profit after tax and retained profits** *RMB'000*	**Increase/ (Decrease) in foreign exchange rates**	**Effect on profit after tax and retained profits** *RMB'000*	**Increase/ (Decrease) in foreign exchange rates**	**Effect on profit after tax and retained profits** *RMB'000*
US$	5%	14,360	5%	(59,842)	5%	(49,581)
	(5%)	(14,360)	(5%)	59,842	(5%)	49,581
EUR	5%	9,941	5%	(40,991)	5%	(14,522)
	(5%)	(9,941)	(5%)	40,991	(5%)	14,522
JPY	5%	1,195	5%	352	5%	299
	(5%)	(1,195)	(5%)	(352)	(5%)	(299)
HKD	5%	(1,325)	5%	(754)	5%	(3,256)
	(5%)	1,325	(5%)	754	(5%)	3,256

The Company

	Years ended 31 December					
	2011		2012		2013	
	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained profits
		RMB'000		*RMB'000*		*RMB'000*
US$	5%	(4,128)	5%	(28)	5%	(530)
	(5%)	4,128	(5%)	28	(5%)	530

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the statements of financial position date and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next statements of financial position date. The analysis is performed on the same basis for the entire Track Record Period.

(e) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at 31 December 2011, 2012 and 2013.

The following table presents the book value of the Group's financial instruments measured at the end of the reporting period on the fair value basis. The Group's financial instruments measured on the fair value basis are according to the same assets and liabilities' in an active market quotes (unadjusted).

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Recurring fair value measurements			
Assets:			
Available-for-sale equity securities:			
— Listed	72,500	78,842	90,829
— Unlisted	67,954	68,548	43,267
Derivative financial instruments:			
— Forward exchange contracts	30,918	19,650	4,907
Liabilities:			
Derivative financial instruments:			
— Forward exchange contracts	22,046	9,267	1,201

35 COMMITMENTS

(a) Commitments for the acquisition of property, plant and equipment, purchase of performances, leasehold improvements and management outstanding at each year end not provided for in the Financial Information were as follows:

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for	2,424,045	3,570,634	4,172,358
Authorized but not contracted for	846,205	647,944	525,664
	3,270,250	4,218,578	4,698,022

(b) At each year end, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	18,285	43,526	53,964
After 1 year but within 3 years	17,368	39,733	18,874
After 3 years	43,180	37,062	34,672
	78,833	120,321	107,510

The Group leases certain buildings through non-cancellable operating leases. Typically, leases are negotiated and rentals are fixed for lease term.

36 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(1) On 24 January 2014, the Company issued short-term inter-bank corporate bonds amounted to RMB2,000.00 million which interest rate is 5.83%. The bond period is 90 days, from 27 January 2014 to 27 April 2014.

(2) On 27 January 2014, the Company issued short-term inter-bank corporate bonds amounted to RMB2,000.00 million which interest rate is 5.70%. The bond period is 180 days, from 28 January 2014 to 27 July 2014.

(3) On 19 February 2014, the Company issued short-term inter-bank corporate bonds amounted to RMB2,000.00 million which interest rate is 5.50%. The bond period is 180 days, from 20 February 2014 to 19 August 2014.

(4) On 21 February 2014, the Company issued short-term inter-bank corporate bonds amounted to RMB3,000.00 million which interest rate is 5.50%. The bond period is 365 days, from 24 February 2014 to 24 February 2015.

(5) On 24 February 2014, the Company issued medium-term notes amounted to RMB2,000.00 million which interest rate is 5.50%. The medium-term notes period is 3 years, from 25 February 2014 to 25 February 2017.

(6) On 17 March 2014, the Company issued medium-term notes amounted to RMB2,000.00 million which interest rate is 5.75%. The medium-term notes period is 5 years, from 18 March 2014 to 18 March 2019.

(7) On 26 March 2014, the Company issued short-term inter-bank corporate bonds amounted to RMB3,000.00 million, which interest rate is 5.30%. The bond period is 365 days, from 27 March 2014 to 27 March 2015.

(8) On 28 March 2013, the board of directors resolved to make a dividend distribution of fiscal year 2013. Further details are disclosed in note 33(b).

(9) On 24 April 2014, the Company issued short-term inter-bank corporate bonds amounted to RMB2,000.00 million, which interest rate is 4.80%. The bond period is 270 days, from 24 April 2014 to 19 January 2015.

37 MATERIAL RELATED PARTY TRANSACTION

In addition to the related party information disclosed elsewhere in this Financial Information, the Group entered into the following significant related party transaction during the Track Record Period.

(a) Name and relationship with material related parties

During the Track Record Period, transactions with the following parties are considered as related party transactions:

Name of party	**Relationship**
China Northern Locomotive & Rolling Stock Industry (Group) Corporation ("CNRG") 中國北方機車車輛工業集團公司	Parent and ultimate holding company
CNR Qiqihar Railway Rolling Stock (Group) Co., Ltd. 齊齊哈爾鐵路車輛 (集團) 有限責任公司	Under common control
CNR Changchun Locomotive Works 中國北車集團長春客車廠	Under common control

Name of party	Relationship
CNR Shenyang Locomotive & Rolling Stock Industry Corporation and its subsidiaries 中國北車集團瀋陽機車車輛工貿總公司及其子公司	Under common control
Dalian Dali Railway Transportation Equipment Co. Ltd. And its subsidiaries 大連大力軌道交通裝備有限公司及其子公司	Under common control
CNR Tianjin Locomotive & Rolling Stock Machinery Works 中國北車集團天津機車車輛機械廠	Under common control
CNR Beijing Feb. 7th Locomotive Works 中國北車集團北京二七機車廠有限責任公司	Under common control
CNR Beijing Nankou Locomotive & Rolling Stock Machinery Works and its subsidiaries 中國北車集團北京南口機車車輛機械廠及其子公司	Under common control
Beijing CNR Investment Co., Ltd. and its subsidiaries 北京北車投資有限責任公司及其子公司	Under common control
CNR Datong Locomotive Society Management Center 大同機車社區管理中心	Under common control
CNR Taiyuan Locomotive & Rolling Stock Works and its subsidiaries 中國北車集團太原機車車輛廠及其子公司	Under common control
CNR Ji'nan Locomotive & Rolling Stock Works 中國北車集團濟南機車車輛廠	Under common control
CNR Xi'an Rolling Stock Works 中國北車集團西安車輛廠	Under common control
CNR Lanzhou Locomotive Works and its subsidiaries 中國北車集團蘭州機車廠及其子公司	Under common control
CNR Ship & Ocean Engineering Development Co., Ltd. 北車船舶與海洋工程發展有限公司	Under common control

Name of party	Relationship
Knorr-Bremse Nankou Air Supply Unit (Beijing) Co. Ltd. 克諾爾南口供風設備(北京)有限公司	Associate
Beijing Nankou SKF Railway Bearings Co., Ltd. 北京南口斯凱孚鐵路軸承有限公司	Associate
Datong ABB Traction Transformer Co., Ltd. 大同ABB牽引變壓器有限公司	Associate
Datong Faiveley Coupler Co., Ltd. 大同法維萊車鉤系統有限責任公司	Associate
Xi'an Alstom Yongji Electric Equipment Co., Ltd. 西安阿爾斯通永濟電氣設備有限公司	Associate
Shanghai Alstom Transport Equipment Co., Ltd. 上海阿爾斯通交通電氣有限公司	Associate
Alstom Qingdao Railway Equipment Co., Ltd. 青島阿爾斯通鐵路設備有限公司	Associate
Changchun Xiangtie Vehicles Equipment Co., Ltd. 長春市享鐵車輛裝備製造股份有限公司	Associate
Shanxi CNR CR Construction Engineering Co., Ltd. 山西中鐵北車建設工程有限公司	Associate
Xinyang Amsted Tonghe Wheels Co., Ltd. 信陽同合車輪有限公司	Associate
Tianjin Electric Locomotive Co., Ltd. 天津電力機車有限公司	Associate
Tangshan Tang-che Railway Transportation Equipment Co., Ltd. 唐山唐車威奧軌道交通設備有限公司	Associate
Qiqihar Sanyi Casting Equipment Corporation 齊齊哈爾三益鑄造設備有限公司	Associate
Zhongtie Shenyang Railway Equipment Co., Ltd. 中鐵瀋陽鐵道裝備有限公司	Associate

Name of party	Relationship
Chengdu Xinzhu Railway Transportation Equipment Co., Ltd. 成都長客新築軌道交通裝備有限公司	Associate
Hitachi Yonge Electric Equipment (Xi'an) Co., Ltd. 日立永濟電氣設備 (西安) 有限公司	Joint Venture
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd. 瀋陽北車西屋軌道制動技術有限公司	Joint Venture
Qingdao FAIVELEY SRI Rail Brake Co., Ltd 青島四方法維萊軌道制動有限公司	Joint Venture
Dalian Toshiba Locomotive Electric Equipment Co., Ltd. 大連東芝機車電氣設備有限公司	Joint Venture
Changchun Bombardier Railway Vehicles Co., Ltd. 長春長客—龐巴迪軌道車輛有限公司	Joint Venture
Changchun Diandi Int'l Industrial Co., Ltd. 長春帝安帝國際實業有限責任公司	Joint Venture
Beijing Danobat CNR Feb. 7th Machine Tools Manufacturing Co., Ltd. 北京北車二七達諾巴特機床製造有限公司	Joint Venture
Qiqihar Sipansai Surface treatment equipment Co., Ltd. 齊齊哈爾斯潘塞表面處理設備有限公司	Other Related Party
Taiyuan Wanhe Locomotive vehicle accessories Co., Ltd. 太原萬和機車車輛配件有限公司	Other Related Party
Yongji Railway Insulating Materials Co., Ltd. 永濟鐵路絕緣材料有限責任公司	Other Related Party
Taiyuan Yingfeng Locomotive & Rolling Stock Casting Co., Ltd. 太原映豐機車車輛鑄造有限責任公司	Other Related Party

(b) Significant transactions with related parties

The Group is part of a large group of companies under CNRG and has significant transactions and relationships with CNRG and its affiliates.

The principal transactions which were carried out in the ordinary course of business are as follows:

The Group

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Sales to			
CNRG	5,387	—	—
CNRG's affiliates	74,911	37,642	63,238
Associates and Joint Ventures	89,256	252,635	246,190
Other related parties	225,498	221,802	190,187
Purchase of goods from			
CNRG's affiliates	76,750	211,365	95,037
Associates and Joint Ventures	3,264,357	3,014,812	2,728,896
Other related parties	288,973	153,804	133,476
Purchase intangible assets from			
CNRG's affiliates	—	—	29,405
Purchase property or equipment from			
CNRG's affiliates	42	178	26,823

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Loans received from			
CNRG	1,200,000	20,000	601,980
Loans repaid to			
CNRG	220,000	1,200,000	—
Interest expense			
CNRG	1,362	5,979	1,379
CNRG's affiliates	—	—	1,927
Lease expenses paid to			
CNRG	21,612	27,060	24,305
CNRG's affiliates	5,835	—	8,492
Net deposits from			
CNRG	—	—	107,411
CNRG's affiliates	—	—	314,779

The Company

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Sales to			
CNRG	5,387	—	—
The subsidiaries	73,377	171,475	266,048
Purchase of goods from			
The subsidiaries	74,812	14,297	1,561,287
Service provided from			
The subsidiaries	67,542	90,964	105,337
Purchase intangible assets from			
The subsidiaries	—	3,859	—
Loans received from			
CNRG	1,200,000	—	601,980
The subsidiaries	750,000	2,993,000	10,836,000
Loans provided to			
The subsidiaries	29,448,130	38,666,700	38,778,348
Interest income			
The subsidiaries	980,076	1,278,942	1,488,422
Interest expense			
CNRG	1,268	5,979	367
The subsidiaries	11,353	56,574	79,157
Lease expenses paid to			
CNRG	20,541	20,541	20,660
Provide guarantee to			
The subsidiaries	14,890,282	12,763,007	9,890,041

Notes:

(i) CNRG's affiliates refer to the entities which are under common control by the same ultimate holding company with the Group, and are not the parent or associates of the Group.

(ii) The directors are of the opinion that these related party transactions are arising in the Group's normal course of business. These transactions with related parties are expected to continue after the listing of the Company's shares on HKSE.

(c) Significant outstanding balances, with related parties

Details of the outstanding balances with related parties are as follows:

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables			
CNRG's affiliates	75,226	24,979	47,139
Associates and Joint Ventures	95,617	186,205	333,932
Other related parties	79,991	24,998	45,562
Prepayments, deposits and other receivables			
CNRG's affiliates	—	1,734	4,326
Associates and Joint Ventures	57,439	51,960	38,451
Other related parties	15,165	359	98
Other non-current assets			
Associates and Joint Ventures	—	—	108
Other related parties	—	16,821	36,022
Interest-bearing loans and borrowings			
CNRG	1,205,500	25,500	601,980
Trade and bills payables			
CNRG's affiliates	41,866	98,828	70,717
Associates and Joint Ventures	1,433,506	1,577,430	2,364,045
Other related parties	159,483	113,515	165,377

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Other payables and accruals			
CNRG	98,398	72,371	177,503
CNRG's affiliates	28,786	21,540	475,649
Associates and Joint Ventures	10,284	10,507	40,190
Other related parties	10,459	8,182	5,144

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables			
The subsidiaries	17,473	44,870	—
Prepayments, deposits and other receivables			
The subsidiaries	11,472,433	12,585,757	9,944,117
Other non-current assets			
The subsidiaries	5,041,680	10,743,795	15,760,448
Interest-bearing loans and borrowings			
CNRG	1,200,000	—	601,980
The subsidiaries	550,000	1,100,000	4,795,000
Trade and bills payables			
The subsidiaries	7,729	9,355	1,110,763
Other payables and accruals			
CNRG	1,268	—	367
The subsidiaries	9,366	458,653	66,425

	At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
The balance of the guarantee provided			
The subsidiaries	6,151,973	7,826,143	6,193,521

(d) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organized by relevant local government authorities for its staff. As at 31 December 2011, 2012 and 2013, there was no material outstanding contribution to post-employment benefit plans. Details of the defined contribution retirement plans are set out in note 5(b).

(e) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors and supervisors as disclosed in note 7, and certain of the highest paid employees as disclosed in note 8, is as follows:

	Years ended 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	4,395	4,376	5,134
Discretionary bonus	3,631	5,182	5,391
Retirement scheme contributions	1,165	1,145	1,196
Equity-settled share-based transaction	—	232	1,650
	9,191	10,935	13,371

Total remuneration was included in "staff costs" (see note 5(b)).

38 ACQUISITION OF SUBSIDIARIES AND BUSINESS

(a) Acquisition of subsidiary under common control

On 4 January 2011, the Company entered into an equity transfer agreement with CNRG, the Parent and ultimate holding company, pursuant to which the Company agreed to acquire 100% equity interests in CNR Shenyang Locomotive & Rolling Stock Co., Ltd.. Upon the completion of the acquisition, CNR Shenyang Locomotive & Rolling Stock Co., Ltd. became a subsidiary of the Company and is principally engaged in manufacturing and repairing freight wagons, vehicle fittings, special technology, engineering machinery, metal materials, steel and building materials sales. This transaction was accounted for in accordance with Section B Note 1 (h)(i).

(b) Acquisition of business under common control

On 28 February 2013, Xi'an Railway Vehicles Equipment Co., Ltd. ("Xi'an Equipment"), the subsidiary of the Company, entered into a business transfer agreement with CNR Xi'an Rolling Stock Works, the subsidiary of the ultimate holding company CNRG, pursuant to which Xi'an Equipment agreed to acquire an operating business. This transaction was accounted for in accordance with Section B Note 1(h)(i).

(c) Acquisition of subsidiaries not under common control

(i) The Company entered into an equity transfer agreement with Tsinghua Holdings Co., Ltd., pursuant to which the Company agreed to acquire equity interest of Beijing Tsinghua Software Information Technology Co., Ltd.. On 13 January 2012, the Company acquired 51% equity interest of Beijing Tsinghua Software Information Technology Co., Ltd. at cash consideration of RMB29.77 million and Beijing Tsinghua Software Information Technology Co., Ltd. became the subsidiary of the Company. The net fair value of the identifiable assets and liabilities of Beijing Tsinghua Software Information Technology Co., Ltd. as at the acquisition date was RMB31.78 million, and RMB13.56 million was recognized as goodwill in the consolidated statement of financial position. Beijing Tsinghua Software Information Technology Co., Ltd. is principally engaged in technology development, technology consulting, computer system services, data processing etc.

(ii) On 31 October 2012, Yongji Xinshisu Electric Equipment Co., Ltd. ("Yongji Equipment"), the subsidiary of the Company, entered into an equity transfer agreement with Xinjiang Goldwind Sci Tech Co., Ltd., pursuant to which Yongji Equipment agreed to acquire 80% equity interest of Xi'an Yongdian Goldwind Co., Ltd., at a cash consideration of RMB67.12 million. The net fair value of the identifiable assets and liabilities of Xi'an Yongdian Goldwind Co., Ltd. as at the acquisition date was RMB83.90 million. Xi'an Yongdian Goldwind Co., Ltd. is principally engaged in wind turbine R&D, design, manufacturing and sales.

(iii) Changchun Railway Vehicle Co., Ltd. ("CNR Changchun") entered into an equity transfer agreement with Changchun High-tech Investment Group Co., Ltd.. On 22 April 2013, CNR Changchun held 51% equity interest of Jilin High-tech Electric Cars Co., Ltd. ("Jilin High-tech"), at cash consideration of RMB65.98 million and Jilin High-tech became the subsidiary of CNR Changchun. The net fair value of the identifiable assets and liabilities of Jilin High-tech as at acquisition date was RMB28.88 million, and RMB51.25 million was recognized as other loss in the consolidated statement of profit or loss. Jilin High-tech is principally engaged in sales of automotive (except sedan) and parts, research and development, manufacturing and sales of electric cars and power battery, automotive leasing etc.

39 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider its parent and ultimate holding company to be CNRG Corporation Limited, which is a state-owned enterprise established in the PRC. The parent company does not produce financial statements available for public use.

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the Track Record Period and which have not been adopted in the Financial Information.

	Effective for accounting periods beginning on or after
Amendments to IFRSs 10, IFRSs 12 and IAS 27, *Investment entities*	1 January 2014
Amendments to IAS 32, *Financial instruments: Presentation — Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*	1 January 2014
Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*	1 January 2014
Amendments to IAS 19, *Employee benefits: Defined benefit plans: Employee contributions*	1 July 2014
FRSs 9, *Financial instruments (2009)*	1 January 2015
IFRSs 9, *Financial instruments (2010)*	1 January 2015
Amendments to IFRSs 9, *Financial instruments* and IFRSs 7 *Financial instruments: Disclosures — Mandatory effective date and transition disclosures*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

41 STATUTORY AUDIT

The statutory financial statements of the Company and its material subsidiaries for the year ended 31 December 2011, 2012 and 2013 set out in note 15, were audited by KPMG Huazhen (Special General Partnership) except for the statutory audit for the following company for the year ended 31 December 2011:

Name of entities	2011
Beijing Tsinghua Software Information Technology Co., Ltd.	BDOCHINADAHUA Certified Public Accountants Co., Ltd 大華會計師事務所有限公司

42 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2013.

4 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

The following unaudited financial information prepared under IFRS is extracted from CNR interim report for the period ended 30 June 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2014 — UNAUDITED

(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Revenue	3	**38,654,423**	**36,743,539**
Cost of sales		(31,089,572)	(30,502,635)
Gross profit		**7,564,851**	**6,240,904**
Other revenue	4	349,988	132,246
Other net loss	4	(106,922)	(63,495)
Selling and distribution expenses		(756,161)	(896,521)
Administrative expenses		(3,551,414)	(3,037,486)
Profit from operations		**3,500,342**	**2,375,648**
Finance costs	5(a)	(750,235)	(472,116)
Share of profits less losses of associates		68,768	31,210
Share of profits less losses of joint ventures		72,434	44,370
Profit before taxation	5	**2,891,309**	**1,979,112**
Income tax	6	(492,615)	(354,225)
Profit for the period		**2,398,694**	**1,624,887**
Profit attributable to:			
Equity shareholders of the Company		2,323,077	1,563,182
Non-controlling interests		75,617	61,705
Profit for the period		**2,398,694**	**1,624,887**
Earnings per share	7		
Basic *(RMB)*	7(a)	0.22	0.15
Diluted *(RMB)*	7(b)	0.22	0.15

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2014 — UNAUDITED

(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Profit for the period	2,398,694	1,624,887
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that maybe reclassified subsequently to profit or loss:		
Available-for-sale investments: net movement in fair value reserve	(17,839)	(5,207)
Exchange differences on translation of financial statements of overseas subsidiary	3	—
Other comprehensive income for the period	**(17,836)**	**(5,207)**
Total comprehensive income for the period	**2,380,858**	**1,619,680**
Attributable to:		
Equity shareholders of the company	2,305,241	1,557,975
Non-controlling interests	75,617	61,705
Total comprehensive income for the period	**2,380,858**	**1,619,680**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014 — UNAUDITED

(Expressed in Renminbi Yuan)

	Note	At 30 June 2014	At 31 December 2013
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	8	28,701,831	27,997,062
Lease prepayments	9	9,914,718	9,966,563
Goodwill		13,557	13,557
Intangible assets		631,712	639,805
Interest in associates		1,020,416	1,040,052
Interest in joint ventures		989,290	944,177
Deferred tax assets		527,840	451,337
Other non-current assets	10	9,140,093	8,376,952
Total non-current assets		**50,939,457**	**49,429,505**
Current assets			
Inventories	11	29,131,048	18,636,790
Trade and bills receivables	12	39,349,658	31,922,635
Prepayments, deposits and other receivables	13	13,512,370	10,828,672
Income tax recoverable		29,853	9,269
Restricted deposits		989,502	1,084,981
Banks deposits with original maturities over three months		1,722,470	1,132,657
Cash and cash equivalents	14	13,266,205	7,114,408
Total current assets		**98,001,106**	**70,729,412**

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Current liabilities			
Interest-bearing loans and borrowings	15(b)	29,329,041	20,609,153
Trade and bills payables	16	41,565,870	36,026,256
Other payables and accruals	17	18,260,665	16,063,130
Defined benefit obligations		271,516	247,518
Income tax payable		328,817	521,657
Provision for warranties	18	557,664	535,900
Total current liabilities		**90,313,573**	**74,003,614**
Net current assets/(liabilities)		**7,687,533**	**(3,274,202)**
Total assets less current liabilities		**58,626,990**	**46,155,303**
Non-current liabilities			
Interest-bearing loans and borrowings	15(a)	6,035,751	1,415,277
Defined benefit obligations		2,047,594	2,131,239
Deferred tax liabilities		—	1,183
Other non-current liabilities	19	3,052,535	3,041,969
Total non-current liabilities		**11,135,880**	**6,589,668**
NET ASSETS		**47,491,110**	**39,565,635**
CAPITAL AND RESERVES			
Share capital	20(a)	12,259,780	10,320,056
Reserves		33,482,207	27,460,286
Total equity attributable to the equity shareholders of the Company		**45,741,987**	**37,780,342**
Non-controlling interests		**1,749,123**	**1,785,293**
TOTAL EQUITY		**47,491,110**	**39,565,635**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014 — UNAUDITED

(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of The Company								
	Share capital	Capital reserve	Fair value reserve	PRC Statutory reserve	Retained profits	Exchange reserve	Total	Non-Controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	**10,320,056**	**15,489,304**	**13,911**	**499,535**	**8,348,329**	**—**	**34,671,135**	**1,577,442**	**36,248,577**
Changes in equity:									
Profit for the period	—	—	—	—	1,563,182	—	1,563,182	61,705	1,624,887
Other comprehensive income	—	—	(5,207)	—	—	—	(5,207)	—	(5,207)
Total comprehensive income for the period	—	—	(5,207)	—	1,563,182	—	1,557,975	61,705	1,619,680
Acquisition of operating business under common control	—	(109,933)	—	—	14,043	—	(95,890)	—	(95,890)
Acquisition of non-controlling interests without change in control	—	(219)	—	—	—	—	(219)	(5,935)	(6,154)
Capital contributions from non-controlling equity owners	—	(5,375)	—	—	—	—	(5,375)	5,375	—
Equity-settled share-based transaction	—	16,030	—	—	—	—	16,030	132	16,162
Dividends proposed during the period	—	—	—	—	(1,032,006)	—	(1,032,006)	—	(1,032,006)
Balance at 30 June 2013 and 1 July 2013	**10,320,056**	**15,389,807**	**8,704**	**499,535**	**8,893,548**	**—**	**35,111,650**	**1,638,719**	**36,750,369**
Changes in equity:									
Profit for the period	—	—	—	—	2,565,377	—	2,565,377	35,739	2,601,116
Other comprehensive income	—	15,275	9,342	—	—	(98)	24,519	(375)	24,144
Total comprehensive income for the period	—	15,275	9,342	—	2,565,377	(98)	2,589,896	35,364	2,625,260
Acquisition of non-controlling interests without change in control	—	(56)	—	—	—	—	(56)	(946)	(1,002)
Acquisition of subsidiary	—	—	—	—	—	—	—	15,679	15,679
Capital contributions from non-controlling equity owners	—	35,950	—	—	—	—	35,950	118,374	154,324
Equity-settled share-based transaction	—	16,865	—	—	—	—	16,865	175	17,040
Appropriation of reserve	—	—	—	152,581	(126,544)	—	26,037	1,144	27,181
Dividends proposed by subsidiaries to non-controlling equity owners	—	—	—	—	—	—	—	(23,216)	(23,216)
Balance at 31 December 2013	**10,320,056**	**15,457,841**	**18,046**	**652,116**	**11,332,381**	**(98)**	**37,780,342**	**1,785,293**	**39,565,635**

	Attributable to equity shareholders of The Company								
	Share capital	Capital reserve	Fair value reserve	PRC Statutory reserve	Retained profits	Exchange reserve	Total	Non-Controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	**10,320,056**	**15,457,841**	**18,046**	**652,116**	**11,332,381**	**(98)**	**37,780,342**	**1,785,293**	**39,565,635**
Changes in equity:									
Profit for the period	—	—	—	—	2,323,077	—	2,323,077	75,617	2,398,694
Other comprehensive income	—	—	(17,839)	—	—	3	(17,836)	—	(17,836)
Total comprehensive income for the period	—	—	(17,839)	—	2,323,077	3	2,305,241	75,617	2,380,858
Issuance of shares upon public offering, net of issuing expenses	1,939,724	5,790,358	—	—	—	—	7,730,082	—	7,730,082
Acquisition of non-controlling interests without change in control	—	(35)	—	3,456	(3,456)	—	(35)	(109,398)	(109,433)
Capital contributions from non-controlling equity owners	—	—	—	—	—	—	—	29,898	29,898
Equity-settled share-based transaction	—	(9,556)	—	—	—	—	(9,556)	(65)	(9,621)
Appropriation of reserve	—	—	—	—	(76)	—	(76)	(65)	(141)
Dispose the share of subsidiary	—	—	—	—	—	—	—	(12,252)	(12,252)
Withdraw investments by non-controlling interest owners	—	—	—	—	—	—	—	(1,200)	(1,200)
Dividends proposed in respect of the previous year	—	—	—	—	(2,064,011)	—	(2,064,011)	—	(2,064,011)
Dividends proposed by subsidiaries to non-controlling equity owners	—	—	—	—	—	—	—	(18,705)	(18,705)
Balance at 30 June 2014	**12,259,780**	**21,238,608**	**207**	**655,572**	**11,587,915**	**(95)**	**45,741,987**	**1,749,123**	**47,491,110**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014 — UNAUDITED

(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Operating activities		
Cash used in operations	(10,548,758)	(4,478,658)
Tax paid	(786,752)	(424,290)
Net cash used in operating activities	**(11,335,510)**	**(4,902,948)**
Investing activities		
Payment for the purchase of property, plant and equipment	(1,847,944)	(2,818,483)
Other cash flows arising from investing activities	(524,282)	(67,533)
Net cash used in investing activities	**(2,372,226)**	**(2,886,016)**
Financing activities		
Cash generated from issuance of shares	7,822,281	—
Other cash flow arising from financing activities	12,045,210	4,438,505
Net cash generated in financing activities	**19,867,491**	**4,438,505**
Net increase/(decrease) in cash and cash equivalents	**6,159,755**	**(3,350,459)**
Cash and cash equivalents at 1 January	**7,114,408**	**8,379,753**
Effect of foreign exchanges rates changes	**(7,958)**	**(18,322)**
Cash and cash equivalents at 30 June	**13,266,205**	**5,010,972**

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial report for the six months ended 30 June 2014 has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34 "Interim Financial reporting" issued by the International Accounting Standards Board ("IASB"). It was authorized for issuance on 29 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted by China CNR Corporation Limited (the "Company") and its subsidiaries (together referred to as the "Group") in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial report and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2014.

2. CHANGES IN ACCOUNTING POLICIES

IASB has issued the following amendments to International Financial Reporting Standards ("IFRSs") and one new interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities
- Amendments to IAS 32, Offsetting financial assets and financial liabilities
- Amendments to IAS 36, Recoverable amount disclosures for non-financial assets
- Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting
- IFRIC 21, Levies

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired nonfinancial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. These amendments have no impact on the Group.

Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group does not have hedge accounting and the related derivative designated as a hedging instrument.

IFRIC 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

3 REVENUE

Revenue mainly represents the sales value of goods supplied to customers, and interest income. The amount of each significant category of revenue recognized during the period is as follows:

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Revenue from goods and services	38,582,501	36,657,434
Interest income	71,922	86,105
	38,654,423	36,743,539

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Domestic revenue	36,339,369	32,911,206
Overseas revenue	2,315,054	3,832,333
	38,654,423	36,743,539

4 OTHER REVENUE AND OTHER NET LOSS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Other revenue		
Interest income	199,754	35,132
Dividend income	2,972	4,488
Government grants	147,262	92,626
	349,988	132,246
Other net loss		
Net loss from changes in fair value	(949)	(3,049)
Net loss on sale of subsidiary	(559)	—
Net gain on sale of derivative financial instruments	506	3,407
Net foreign exchange loss	(22,155)	(56,369)
Net loss on disposal of property, plant and equipment	(168)	(1,949)
Net gain on disposal of joint venture	17,224	—
Provision of onerous contracts	(109,907)	(3,124)
Others	9,086	(2,411)
	(106,922)	(63,495)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Interest cost recognized in respect of defined benefit obligations	24,025	19,512
Interest expense on bank loans and borrowings	777,096	507,977
Bank charges	65,936	50,623
Less: interest expenses capitalised into property, plant and equipment	116,822	105,996
	750,235	472,116

(b) Staff costs

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Salaries, wages and other benefits	3,960,943	3,291,532
Contributions to defined contribution retirement plans	585,638	542,461
Expenses recognized in respect of defined benefit obligations	29,364	23,842
Equity-settled share-based transaction expenses	(9,621)	16,162
	4,566,324	3,873,997

(c) Other items

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Amortisation		
— lease prepayments	101,028	91,897
— intangible assets	52,531	38,267
	153,559	130,164
Depreciation		
— property, plant and equipment	1,003,291	909,257
Impairment loss/(gain)		
— trade and bills receivables	237,616	155,984
— deposits, prepayments and other receivables	183	74,959
— other non-current assets	(908)	—
— inventories	—	10,499
	236,891	241,442
Research and development costs	1,119,724	874,756
Provision for warranties	240,034	151,452
Cost of goods	30,730,432	30,293,671

6 INCOME TAX

(a) Income tax in the consolidated statements of profit or loss represents:

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Corporate income tax		
Provision for the period	570,619	362,174
Under-provision in respect of prior years	(3,725)	6,840
	566,894	369,014
Deferred taxation		
Origination and reversal of temporary differences	(74,279)	(14,789)
	492,615	354,225

(b) Reconciliations between income tax expense and before taxation profit at applicable tax rates:

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Profit before taxation	2,891,309	1,979,112
Notional tax on profit before taxation at PRC statutory tax rate	722,827	494,778
Effect of non-deductible expenses	2,527	7,202
Effect in respect of share of profits less losses of associates and joint ventures	(40,350)	(20,017)
Effect of research and development expense deduction	(67,489)	(45,920)
Income tax effect of unused tax losses not recognized	148,696	85,755
Income tax effect of temporary differences not recognized	(17,799)	5,192
Effect of PRC tax concessions	(249,924)	(185,089)
Others	(5,873)	12,324
Actual income tax expense	492,615	354,225

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB2,323.08 million (six months ended 30 June 2013: RMB1,563.18 million) and the weighted average of 10,733.33 million ordinary shares (six months ended 30 June 2013: 10,320.06 million shares).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB2,323.08 million (six months ended 30 June 2013: RMB1,563.18 million) and the weighted average number of ordinary shares of 10,736.47 million (six months ended 30 June 2013: 10,320.06 million shares).

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of property, plant and machinery with a cost of RMB1,750.57 million (six months ended 30 June 2013: RMB2,103.46 million). Items of property, plant and machinery with a net book value of RMB11.61 million were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB25.07 million), resulting in a loss on disposal of RMB0.17 million (six months ended 30 June 2013: RMB1.95 million).

As at 30 June 2014, the aggregate net book value of properties and plants restriction on title is approximately RMB5,040.64 million (31 December 2013: RMB5,023.50 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned properties and plants and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2014.

9 LEASE PREPAYMENTS

The Group's lease prepayments in respect of land are held under long term leases and located in Mainland China.

As at 30 June 2014, the aggregate net book value of certain lands restriction on title is approximately RMB870.64 million (31 December 2013: RMB1,777.93 million). The Directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2014.

10 OTHER NON-CURRENT ASSETS

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Long-term trade receivables		
— third parties	1,153,961	1,088,926
Long-term construction contract receivables		
— third parties	4,642,431	4,443,657
Long-term finance lease receivables		
— third parties	6,736,355	5,837,420
Less: allowance for doubtful debts	34,810	61,601
	12,497,937	11,308,402
Less: current portion of long-term receivables	4,764,095	4,239,021
Available-for-sale investments	111,577	158,823
Less: impairment loss	24,727	24,727
	7,820,692	7,203,477
Other intangible assets prepayments	137,180	123,190
Long-term prepaid expenses	2,521	1,143
Long-term prepayments for property, plant and equipment	1,179,700	1,049,142
	1,319,401	1,173,475
	9,140,093	8,376,952

11 INVENTORIES

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Cost, net of provision Raw materials	10,369,454	7,514,808
Work in progress	15,354,922	9,099,758
Finished goods	2,743,294	1,947,423
Goods in transit	543,031	—
Others	120,347	74,801
	29,131,048	18,636,790

12 TRADE AND BILLS RECEIVABLES

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Trade receivables for sale of goods and rendering of services due from:		
— related parties	409,191	422,386
— third parties	39,003,938	31,057,779
	39,413,129	31,480,165
Less: allowance for doubtful debts	1,344,802	1,095,199
	38,068,327	30,384,966
Bills receivable for sale of goods and rendering of services due from:		
— related parties	86,134	4,247
— third parties	1,178,996	1,530,053
	1,265,130	1,534,300
Gross amounts due from customers for contract work	16,201	3,369
	39,349,658	31,922,635

Aging analysis

The aging analysis of trade and bills receivables of the Group, based on invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Within 6 months	28,594,307	25,087,470
6 to 12 months	7,410,447	3,389,604
Over 1 year	3,344,904	3,445,561
Trade and bills receivables, net of allowance for doubtful debts	39,349,658	31,922,635

13 PREPAYMENTS, DEPOSITS, AND OTHER RECEIVABLES

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Derivative financial instruments	3,663	4,907
Dividend receivables	53,469	20,694
Interest receivables	41,959	16,237
Current portion of long-term receivables	4,798,372	4,286,672
Prepayments for purchase of inventories		
— related parties	42,729	14,120
— third parties	6,482,834	4,861,140
Advances to		
— related parties	12,729	7,693
— third parties	906,656	934,503
Advances to staff	101,534	74,121
Other deposits	210,797	174,729
Others	1,239,329	815,963
Less: allowance for doubtful debts	381,701	382,107
	13,512,370	10,828,672

14 CASH AND CASH EQUIVALENTS

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Cash in hand	1,995	1,474
Cash at bank	13,264,210	7,112,934
Cash and cash equivalents	13,266,205	7,114,408

15 INTEREST-BEARING LOANS AND BORROWINGS

(a) The analysis of the long-term interest-bearing borrowings of the Group is as follows:

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Bank loans		
— Secured	5,000	5,000
— Unsecured	2,560,219	1,410,277
Medium term notes		
— Unsecured	3,970,532	—
Less: Current portion of long-term borrowings	500,000	—
	6,035,751	1,415,277

(b) The analysis of the short-term interest-bearing borrowings of the Group is as follows:

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Entrusted loans		
— Unsecured	601,980	601,980
Bank loans		
— Secured	2,025,682	1,243,132
— Unsecured	10,111,727	8,761,684
Others loans		
— Secured	8,000	8,000
— Unsecured	100,000	—
Short-term inter-bank corporate bonds		
— Unsecured	15,981,652	9,994,357
Add: Current portion of long-term borrowings	500,000	—
	29,329,041	20,609,153

16 TRADE AND BILLS PAYABLES

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Trade payables to		
— related parties	2,668,701	2,401,222
— third parties	31,680,472	25,623,403
	34,349,173	28,024,625
Bills payables to		
— related parties	736,549	198,917
— third parties	6,480,148	7,802,714
	7,216,697	8,001,631
	41,565,870	36,026,256

17 OTHER PAYABLES AND ACCRUALS

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Interest payables		
— related parties	895	512
— third parties	410,086	280,978
Payables for staff related costs	657,110	619,555
Payables for other taxes and surcharges	716,975	1,691,172
Dividends payables		
— related parties	1,432,467	53,641
— third parties	755,063	67,696
Other accruals and payables		
— related parties	508,597	515,362
— third parties	2,988,526	2,699,183
	7,469,719	5,928,099

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Derivative financial liabilities	906	1,201
Receipts in advance		
— related parties	41,403	128,971
— third parties	10,748,637	10,004,859
	10,790,040	10,133,830
	18,260,665	16,063,130

18 PROVISION FOR WARRANTIES

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
At 1 January	535,900	471,558
Additions	240,034	516,099
Provisions utilized	(218,270)	(451,757)
At the end of the period/year	557,664	535,900

19 OTHER NON-CURRENT LIABILITIES

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Government grants	2,915,309	2,882,561
Other non-current liabilities	137,226	159,408
	3,052,535	3,041,969

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

The Company's shareholding structure as at the end of the reporting periods is as follows:

	At 30 June 2014		At 31 December 2013	
	No.of shares '000	*RMB'000*	*No.of shares '000*	*RMB'000*
Ordinary shares, issued and fully paid:				
At 1 January	10,320,056	10,320,056	10,320,056	10,320,056
Issuance of shares	1,939,724	1,939,724	—	—
At 30 June/31 December	12,259,780	12,259,780	10,320,056	10,320,056

(b) Issuance of shares

On 22 May 2014, the Company completed its global offering of 1,821,200,000 H ordinary shares with nominal value of RMB1.00 each were issued at a price of HKD 5.17 per share, and the H shares have since then been listed on Hong Kong Listing Main Board.

On 13 June 2014, in connection with the partially exercise of the Over-allotment Option, 118,524,000 H ordinary shares with nominal value of RMB1.00 each were issued at a price of HKD 5.17 per share by the Company.

Meanwhile, relevant state-owned shareholders of the Company transferred to National Council for Social Security Fund of the PRC ("NSSF") 193,972,400 A Shares after the partly exercise of the Over-allotment Option and such A shares converted into H listed shares.

21 COMMITMENTS

(a) Commitments for the acquisition of property, plant and equipment, purchase of performances, leasehold improvements and management outstanding at each period/year end not provided for in the interim financial information were as follows:

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Contracted for	3,724,014	4,172,358

(b) At each period/year end, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Within 1 year	42,910	53,964
After 1 year but within 3 years	17,088	18,874
After 3 years	32,515	34,672
	92,513	107,510

The Group leases certain buildings, equipment and motor vehicles through non-cancellable operating leases. Typically, leases are negotiated and rentals are fixed for lease term.

22 MATERIAL RELATED PARTY TRANSACTION

In addition to the related party information disclosed elsewhere in this interim financial information, the Group entered into the following significant related party transaction during the reporting period.

(a) Significant transactions with related parties

The principal transactions which were carried out in the ordinary course of business are as follows:

	Six months ended 30 June	
	2014	**2013**
	RMB'000	*RMB'000*
Sales to		
CNRG's affiliates	21,263	22,728
Associates and joint ventures	143,224	105,438
Other related parties	93,137	69,539
Purchase of goods from		
CNRG's affiliates	54,266	40,202
Associates and joint ventures	1,417,133	784,486
Other related parties	13,411	46,307
Purchase of property or equipment from		
CNRG's affiliates	—	18,905
Purchase of intangible assets from		
CNRG's affiliates	—	29,405
Purchase of non-controlling equity interest from		
CNRG	109,433	—
Interest expense		
CNRG	13,907	385
CNRG's affiliates	1,835	332
Lease expenses paid to		
CNRG	12,809	12,893
CNRG's affiliates	2,353	45
Net (decrease)/increase in deposits		
CNRG	(1,689)	58,434
CNRG's affiliates	35,287	193,784

(b) Significant outstanding balances with related parties

Details of the outstanding balances with related parties are as follows:

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Trade and bills receivables		
CNRG's affiliates	59,078	47,139
Associates and joint ventures	364,462	333,932
Other related parties	71,785	45,562
Prepayments, deposits and other receivables		
CNRG's affiliates	324	4,326
Associates and joint ventures	98,903	38,451
Other related parties	10,164	98
Other non-current assets		
Associates and joint ventures	—	108
Other related parties	1,297	36,022
Interest-bearing loans and borrowings		
CNRG	601,980	601,980
Trade and bills payables		
CNRG's affiliates	59,328	70,717
Associates and joint ventures	3,181,351	2,364,045
Other related parties	164,571	165,377
Other payables and accruals		
CNRG	1,447,102	177,503
CNRG's affiliates	486,257	475,649
Associates and joint ventures	43,383	40,190
Other related parties	6,620	5,144
Allowance for doubtful debts		
CNRG's affiliates	1,003	3,126
Associates and joint ventures	81	279
Other related parties	318	342

23 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(1) On 28 July 2014, the Company issued short-term inter-bank corporate bonds amounted to RMB2,000.00 million which interest rate is 4.75 %. The bond period is 270 days, from 29 July 2014 to 25 April 2015.

(2) On 6 August 2014, the Company issued short-term inter-bank corporate bonds amounted to RMB2,000.00 million, which interest rate is 4.60%. The bond period is 270 days, from 8 August 2014 to 5 May 2015.

(3) On 15 August 2014, the Company issued short-term inter-bank corporate bonds amounted to RMB2,000.00 million, which interest rate is 4.65%. The bond period is 270 days, from 18 August 2014 to 15 May 2015.

(4) On 22 August 2014, the Company issued short-term inter-bank corporate bonds amounted to RMB1,000.00 million, which interest rate is 4.70%. The bond period is 270 days, from 25 August 2014 to 22 May 2015.

5 INDEBTEDNESS

The following table sets forth the components of the long-term interest-bearing borrowings as at the dated indicated:

	At 31 December 2012 *RMB'000*	At 31 December 2013 *RMB'000*	At 30 June 2014 *RMB'000 (unaudited)*	At 30 November 2014 *RMB'000 (unaudited)*
Entrusted loans				
— Unsecured	5,500	—	—	—
Bank loans				
— Unsecured	370,033	1,410,277	2,560,219	2,433,403
Other loans				
— Guaranteed	—	5,000	5,000	5,000
Medium-term notes				
— Unsecured	—	—	3,970,532	3,973,885
Subtotal	375,533	1,415,277	6,535,751	6,412,288
Less: Current portion of long-term borrowings	350,000	—	500,000	1,590,000
Total	**25,533**	**1,415,277**	**6,035,751**	**4,822,288**

The following table sets forth the components of the short-term interest-bearing borrowings as at the dates indicated:

	At 31 December 2012	At 31 December 2013	At 30 June 2014	At 30 November 2014
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Entrusted loans				
— Unsecured	20,000	601,980	601,980	601,980
Bank loans				
— Secured	50,000	1,243,132	2,025,682	1,130,000
— Unsecured	5,690,600	8,761,684	10,111,727	9,218,450
Other loans				
— Secured	—	8,000	8,000	8,000
— Unsecured	—	—	100,000	100,000
Short-term inter-bank corporate bonds				
— Unsecured	13,984,474	9,994,357	15,981,652	16,984,867
Subtotal	19,745,074	20,609,153	28,829,041	28,043,297
Add: Current portion of long-term borrowings	350,000	—	500,000	1,590,000
Total	**20,095,074**	**20,609,153**	**29,329,041**	**29,633,297**

The secured bank loans of CNR Group are mainly secured by trade and bills receivables for the sale of our products and services. At 31 December 2012, 2013, 30 June 2014, and 30 November 2014, the amount of trade and bills receivables that used to secure bank loans were approximately RMB50.0 million, RMB1,373.7 million, RMB479.6 million, and RMB847.7 million respectively. And at 31 December 2013, 30 June 2014 and 30 November 2014, the carrying amount of our land prepayments that used to secure our bank loans were approximately RMB16.0 million, RMB15.7 million and RMB15.5 million, respectively. Pursuant to the entrusted loan agreements (the "Entrusted Loan Agreements") dated 27 December 2013 and 31 December 2013, respectively, entered into by CNRG, China CITIC Bank Corporation Limited (中信銀行股份有限公司) and our Group, CNRG lent to CNR Group an aggregate amount equal to RMB602.0 million through China CITIC Bank Corporation Limited at a fixed interest rate of 4.40% per annum to be used directly on projects sponsored by fiscal funds or to supplement the working capital spent on projects sponsored by fiscal funds (the "Entrusted Loans"). The term of each of the loan is one year.

The following table sets forth the interest rates per annum of our long-term and short-term borrowings as of the dates indicated:

	At 31 December 2012	At 31 December 2013	At 30 June 2014	At 30 November 2014
	%	%	%	%
			(unaudited)	*(unaudited)*
Long-term interest-bearing loans				
— Bank loans	0.20-6.21	0.20-4.20	0.20-4.20	0.20-6.40
— Others loans	—	3.20	3.20	3.20
Short-term interest-bearing loans and borrowings				
— Entrusted loans	6.00-6.31	4.40	4.40	4.40
— Bank loans	4.20-6.69	3.90-7.00	1.26-6.30	1.26-6.30
— Others loans	—	10.00	6.00-10.00	6.00-10.00
— Short-term inter-bank corporate bonds	3.39-5.43	3.75-5.30	4.70-5.70	4.60-5.50

The following table sets forth the maturity profile of our long-term loans repayable as of the dates indicated:

	At 31 December 2012	At 31 December 2013	At 30 June 2014	At 30 November 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	*(unaudited)*
Loans				
— Within one year, inclusive or on demand	448,089	58,581	596,985	1,661,545
— In the second year, inclusive	382	1,411,508	2,066,844	813,998
— In the third to fifth year, inclusive	785	5,237	5,198	32,846
— Beyond five years	20,915	21,133	21,011	20,168
Total	**470,171**	**1,496,459**	**2,690,038**	**2,528,557**

There has been no material change to the indebtedness since 30 November 2014 to the Latest Practicable Date. As of the Latest Practicable Date, we do not have existing plans to make additional external debt financing.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that they are not aware of any material defaults in payment of our trade and non-trade payables and bank borrowing. The agreements under our banking loans do not contain any material covenants that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future.

Save as disclosed herein, we did not have any other material borrowings or indebtedness, hire purchase commitments, mortgages and charges, or other material contingent liabilities as at 30 November 2014.

6 NO MATERIAL CHANGE

As at the Latest Practicable Date, the CNR Directors confirm that there is no material change in the financial or trading position or outlook of the CNR Group since 31 December 2013 (being the date to which the CNR Group's latest published audited consolidated financial statements were prepared).

7 CONSOLIDATED FINANCIAL STATEMENTS OF CNR PREPARED UNDER PRC GAAP FOR THE 10 MONTHS ENDED 31 OCTOBER 2014

Pursuant to the requirements in the Standards on the Contents and Formats of Information Disclosures by Companies Publicly Offering Securities No.26 - Material Asset Restructuring of Listed Companies (Revision in 2014) (公開發行證券的公司信息披露內容與格式準則第26號——上市公司重大資產重組(2014年修訂)) issued by CSRC, audited financials statements of the CNR Group for the two years ended 31 December 2012 and 31 December 2013 and the ten months ended 31 October 2014 in accordance with PRC GAAP were prepared in relation to the Merger.

The following financial information is extracted from the audited consolidated financial statements for the period ended 31 October 2014 and years ended 31 December 2013 and 2012.

CONSOLIDATED BALANCE SHEETS

Unit: RMB'000

Item	*Note*	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Current assets:				
Cash at bank and in hand	V.1	14,802,101	9,332,046	9,027,813
Financial assets at fair value through profit or loss	V.2	3,954	4,907	19,650
Bills receivable	V.3	1,924,210	1,534,300	889,330
Accounts receivable	V.4	41,429,969	30,384,966	21,813,481
Prepayments	V.6	5,987,854	4,816,629	5,412,862
Interest receivable		72,056	16,237	1,743
Dividends receivable		15,500	20,694	24,204
Other receivables	V.5	1,664,535	1,444,253	926,007
Inventories	V.7	33,800,759	18,640,158	24,726,398
Non-current assets due within one year	V.10	4,713,862	4,239,021	1,040,256
Other current assets	V.8	754,838	296,201	404,910
Total current assets		105,169,638	70,729,412	64,286,654
Non-current assets:				
Available-for-sale financial assets	V.9	119,575	134,096	147,390
Long-term receivables	V.10	7,329,161	7,069,381	4,155,395
Long-term equity investments	V.11	2,152,421	1,984,229	1,787,917
Investment properties	V.12	83,488	84,265	96,390
Fixed assets	V.13	23,081,730	22,706,936	19,821,569
Construction in progress	V.14	5,976,192	5,184,820	5,270,086
Construction materials		61,406	17,304	101,964

Unit: RMB'000

Item	*Note*	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Intangible assets	V.15	9,693,765	9,609,479	8,599,576
Goodwill		13,557	13,557	13,557
Long-term deferred expenses		13,319	4,880	6,116
Deferred tax assets	V.16	671,899	451,337	286,085
Other non-current assets	V.17	2,150,554	2,169,221	2,009,295
Total non-current assets		51,347,067	49,429,505	42,295,340
Total assets		156,516,705	120,158,917	106,581,994
Current liabilities:				
Short-term loans	V.20	15,050,848	10,614,796	5,760,600
Financial liabilities at fair value through profit or loss	V.2	819	1,201	9,267
Bills payable	V.21	9,919,405	8,001,631	9,692,475
Accounts payable	V.22	38,596,321	28,024,625	23,655,019
Advances from customers	V.23	7,466,051	10,133,830	6,341,885
Employee benefits payable	V.24	968,664	867,073	948,317
Taxes payable	V.25	1,045,310	2,212,829	1,295,164
Interest payable		636,728	281,490	206,016
Dividends payable	V.26	150,961	121,337	180,460
Other payables	V.27	3,473,172	2,936,355	2,277,911
Non-current liabilities due within one year	V.29	1,793,919	4,011	356,282
Provisions	V.28	831,553	814,090	557,679
Other current liabilities	V.30	16,980,972	9,994,357	13,984,474
Total current liabilities		96,914,723	74,007,625	65,265,549
Non-current liabilities:				
Long-term loans	V.31	798,637	1,415,277	25,533
Debentures payable	V.32	3,973,227	—	—
Long-term employee benefits payable	V.33	2,270,071	2,169,991	2,269,584
Long-term payables		5,206	31,206	32,551
Special payables		94,604	89,450	94,336
Deferred income	V.34	2,961,708	2,878,550	2,645,078
Deferred tax liabilities	V.16	1,095	1,183	786
Total non-current liabilities		10,104,548	6,585,657	5,067,868
Total liabilities		107,019,271	80,593,282	70,333,417

Unit: RMB'000

Item	*Note*	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Shareholders' equity:				
Share capital	V.35	12,259,780	10,320,056	10,320,056
Capital reserve	V.36	21,590,622	15,822,034	15,861,081
Less: Treasury stock		—	—	—
Other comprehensive income	V.37	(496,070)	(339,004)	(358,316)
Specific reserve	V.38	49,957	49,957	23,815
Surplus reserve	V.39	617,534	617,534	498,035
General risk provision		38,038	34,582	1,500
Retained earnings	V.40	13,663,533	11,275,183	8,324,964
Total equity attributable to shareholders of the Company		47,723,394	37,780,342	34,671,135
Non-controlling interests		1,774,040	1,785,293	1,577,442
Total shareholders' equity		49,497,434	39,565,635	36,248,577
Total liabilities and shareholders' equity		156,516,705	120,158,917	106,581,994

BALANCE SHEETS

Unit: RMB'000

Item	*Note*	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Current assets:				
Cash at bank and in hand	XII.1	8,231,851	286,922	1,163,852
Accounts receivable	XII.2	—	1,001,871	50,732
Prepayments		9,550	—	418,092
Dividends receivable	XII.3	729,181	276,198	2,149,982
Interest receivable		94,719	44,424	41,060
Other receivables		44,137	193,311	4,277
Inventories		—	—	21,175
Non-current assets due within one year	XII.8	3,565,425	584,650	472,505
Other current assets	XII.4	13,906,298	9,032,857	9,752,687
Total current assets		26,581,161	11,420,233	14,074,362
Non-current assets:				
Long-term equity investments	XII.5	30,760,022	29,994,139	27,780,967
Fixed assets	XII.6	15,668	20,456	57,306
Construction in progress		18,237	15,967	80,627
Intangible assets	XII.7	45,527	46,580	79,222
Deferred tax assets		5,297	3,913	5,766
Other non-current assets	XII.8	15,725,212	15,762,428	10,819,685
Total non-current assets		46,569,963	45,843,483	38,823,573
Total assets		73,151,124	57,263,716	52,897,935

Unit: RMB'000

Item	*Note*	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Current liabilities:				
Short-term loans	XII.9	12,121,980	13,034,812	5,900,000
Bills payable		—	—	9,300
Accounts payable		—	1,110,763	46,142
Advances from customers	XII.10	32,022	23,277	322,514
Employee benefits payable		17,729	15,697	13,522
Taxes payable	XII.11	9,709	34,557	2,880
Interest payable		584,821	268,858	203,583
Other payables	XII.12	247,897	203,192	524,778
Other current liabilities	V.30	16,980,972	9,994,357	13,984,474
Non-current liabilities due within one year		890,000	—	—
Total current liabilities		30,885,130	24,685,513	21,007,193
Non-current liabilities:				
Long-term loans		—	490,000	—
Debentures payable	V.32	3,973,227	—	—
Deferred income		2,829	4,319	3,044
Total non-current liabilities		3,976,056	494,319	3,044
Total liabilities		34,861,186	25,179,832	21,010,237
Shareholders' equity:				
Share capital	V.35	12,259,780	10,320,056	10,320,056
Capital reserve	XII.13	24,129,517	18,361,069	18,327,867
Less: Treasury stock		—	—	—
Surplus reserve		608,648	608,648	489,149
Retained earnings		1,291,993	2,794,111	2,750,626
Total shareholders' equity		38,289,938	32,083,884	31,887,698
Total liabilities and shareholders' equity		73,151,124	57,263,716	52,897,935

CONSOLIDATED INCOME STATEMENTS

Unit: RMB'000

Item	Note	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
I. Revenue	V.41	74,515,679	97,240,665	92,260,921
II. Cost of sales	V.41	60,042,087	80,103,393	78,706,743
Business taxes and surcharges	V.42	349,757	627,830	470,567
Selling and distribution expenses	V.43	1,431,782	2,018,084	1,722,959
General and administrative expenses	V.44	5,999,937	7,644,801	6,665,338
Financial expenses	V.45	1,021,272	1,126,763	1,059,363
Impairment losses	V.48	728,719	1,139,023	235,447
Losses/(Gains) from changes in fair value	V.46	571	6,069	(1,511)
Add: Investment income	V.47	327,485	251,438	240,283
Including: Income from investment in associates and jointly controlled enterprises		305,421	290,664	238,659
III. Operating profit		5,269,039	4,826,140	3,642,298
Add: Non-operating income	V.49	295,023	452,913	642,843
Including: Gains on disposal of non-current assets		5,862	11,882	6,210
Less: Non-operating expenses	V.50	151,238	179,922	130,514
Including: Losses from disposal of non-current assets		7,869	22,496	26,862
IV. Profit before income tax		5,412,824	5,099,131	4,154,627
Less: Income tax	V.51	842,822	873,128	603,108
V. Net profit		4,570,002	4,226,003	3,551,519
Attributable to:				
Shareholders of the Company		4,455,856	4,128,559	3,399,749
Non-controlling interests		114,146	97,444	151,770

Unit: RMB'000

Item	Note	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
VI. Other comprehensive income after taxation	V.52	(156,633)	18,937	(29,396)
1. Other comprehensive income that will not be reclassified to profit or loss		(167,791)	14,900	(34,742)
Including: Changes due to remeasurement of net liability of defined benefits plans		(167,791)	14,900	(34,742)
2. Other comprehensive income that will reclassified to profit or loss		11,158	4,037	5,346
(1) Gains from changes in fair value of available-for-sale financial assets		9,935	4,135	5,346
(2) Exchange differences on translation of financial statements denominated in foreign currencies		1,223	(98)	—
VII. Total comprehensive income		4,413,369	4,244,940	3,522,123
Attributable to:				
Shareholders of the Company		4,298,790	4,147,871	3,370,944
Non-controlling interests		114,579	97,069	151,179
VIII. Earnings per share:				
1. Basic earnings per share	V.53(1)	0.39	0.40	0.34
2. Diluted earnings per share	V.53(2)	0.39	0.40	0.34

Note: The Group acquired a business which is under common control in 2013, and the acquired business being combined had realised a net loss of RMB3,202 thousand (2012: RMB3,150 thousand) before the date of the business combination.

INCOME STATEMENTS

Unit: RMB'000

Item		Note	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
I.	Revenue	XII.14	—	2,110,285	370,215
II.	Cost of sales	XII.14	—	1,733,214	342,940
	Business taxes and surcharges		17,590	19,000	19,077
	Selling and distribution expenses		30	273,091	14,923
	General and administrative expenses	XII.15	143,516	282,589	244,725
	Net financial income	XII.16	(221,686)	(276,227)	(265,420)
	Impairment losses		—	1,394	(39)
	Add: Investment income	XII.17	515,820	1,171,748	2,488,579
	Including: Loss from investment in associates		(22,565)	(7,847)	(7,583)
III.	Operating profit		576,370	1,248,972	2,502,588
	Add: Non-operating income		890	2,040	7,329
	Including: Gains on disposal of non-current assets		—	—	—
	Less: Non-operating expenses		804	9	1,539
	Including: Losses from disposal of non-current assets		—	—	—
IV.	Profit before income tax		576,456	1,251,003	2,508,378
	Less: Income tax		14,563	56,013	(3,221)
V.	Net profit		561,893	1,194,990	2,511,599
VI.	Other comprehensive income after taxation		—	—	—
VII.	Total comprehensive income		561,893	1,194,990	2,511,599

CONSOLIDATED CASH FLOW STATEMENTS

Unit: RMB'000

Item		*Note*	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
I.	Cash flows from operating activities:				
	Cash received from sale of goods and rendering of services		66,640,057	96,576,684	91,246,342
	Refund of taxes		344,539	407,546	555,372
	Cash received relating to other operating activities	V.54(1)	561,601	1,006,448	669,147
	Sub-total of cash inflows		67,546,197	97,990,678	92,470,861
	Cash paid for goods and services		(63,301,499)	(74,902,187)	(75,357,886)
	Cash paid to and for employees		(7,534,709)	(8,782,277)	(8,183,194)
	Cash paid for all types of taxes		(5,037,135)	(5,070,268)	(4,150,532)
	Cash paid relating to other operating activities	V.54(2)	(3,308,335)	(4,349,163)	(2,983,349)
	Sub-total of cash outflows		(79,181,678)	(93,103,895)	(90,674,961)
	Net cash (used in)/generated from operating activities	V.55(1)	(11,635,481)	4,886,783	1,795,900

Unit: RMB'000

Item	*Note*	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Cash flows from investing activities:				
II. Cash received from disposal of investments		1,171,777	934,854	5,088
Cash received from return on investments		73,679	60,711	96,674
Net cash received from disposal of fixed assets, intangible assets and other long- term assets		21,422	49,119	45,103
Net cash received from disposal of subsidiary		6,773	—	—
Cash received relating to other investing activities	V.54(3)	58,937	219,650	510,419
Sub-total of cash inflows		1,332,588	1,264,334	657,284
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(2,949,969)	(5,326,842)	(6,119,001)
Cash paid for acquisition of investments		(3,823,304)	(1,734,853)	(459,872)
Net cash paid for acquisition of subsidiary		—	(3,708)	(64,182)
Sub-total of cash outflows		(6,773,273)	(7,065,403)	(6,643,055)
Net cash used in investing activities		(5,440,685)	(5,801,069)	(5,985,771)

Unit: RMB'000

Item	Note	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
III. Cash flows from financing activities:				
Cash received from investors		7,873,678	91,988	7,079,314
Including: Cash received from non-controlling shareholders of subsidiaries		51,397	91,988	200,000
Cash received from borrowings		55,126,540	69,546,851	38,044,628
Cash received from issuance of debentures		26,988,000	16,000,000	13,978,000
Sub-total of cash inflows		89,988,218	85,638,839	59,101,942
Cash repayments of borrowings		(66,843,899)	(83,649,061)	(49,694,437)
Cash paid for dividends, profit distributions or interest		(3,137,980)	(2,282,556)	(1,877,829)
Including: Dividends and profits paid to non-controlling shareholders of subsidiaries		(24,185)	(55,535)	(624,587)
Cash paid relating to other financing activities	V.54(4)	(210,514)	(37,721)	(857,211)
Sub-total of cash outflows		(70,192,393)	(85,969,338)	(52,429,477)
Net cash generated from/(used in) financing activities		19,795,825	(330,499)	6,672,465
IV Effect of foreign exchange rate changes on cash and cash equivalents		(7,958)	(20,560)	2,415
V. Net increase/(decrease) in cash and cash equivalents	V.55(1)	2,711,701	(1,265,345)	2,485,009
Add: Cash and cash equivalents at the beginning of the period/year		7,114,408	8,379,753	5,894,744
VI. Cash and cash equivalents at the end of the period/year	V.55(2)	9,826,109	7,114,408	8,379,753

CASH FLOW STATEMENTS

Unit: RMB'000

Item		*Note*	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
I.	Cash flows from operating activities:				
	Cash received from sale of goods and rendering of services		1,014,845	829,903	226,419
	Refund of taxes		174,606	58,303	29,544
	Cash received relating to other operating activities		72,588	24,110	34,028
	Sub-total of cash inflows		1,262,039	912,316	289,991
	Cash paid for goods and services		(1,136,872)	(827,545)	(449,644)
	Cash paid to and for employees		(51,326)	(94,963)	(59,886)
	Cash paid for all types of taxes		(87,244)	(71,206)	(31,277)
	Cash paid relating to other operating activities		(88,685)	(79,531)	(93,987)
	Sub-total of cash outflows		(1,364,127)	(1,073,245)	(634,794)
	Net cash used in operating activities	XII.18	(102,088)	(160,929)	(344,803)

Unit: RMB'000

Item		*Note*	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
II.	Cash flows from investing activities:				
	Cash received from disposal of investments		20,544,310	34,367,270	33,260,770
	Cash received from return on investments		1,566,039	4,171,050	2,132,997
	Cash received relating to other investing activities		—	75,890	71,559
	Sub-total of cash inflows		22,110,349	38,614,210	35,465,326
	Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(9,942)	(93,269)	(151,846)
	Cash paid for acquisition of investments		(31,009,255)	(40,690,282)	(45,546,700)
	Net cash paid for acquisition of subsidiaries		—	—	(29,770)
	Sub-total of cash outflows		(31,019,197)	(40,783,551)	(45,728,316)
	Net cash used in investing activities		(8,908,848)	(2,169,341)	(10,262,990)

Unit: RMB'000

Item		*Note*	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
III.	Cash flows from financing activities:				
	Cash received from investors		7,822,281	—	6,879,314
	Cash received from borrowings		52,639,950	75,428,469	35,413,000
	Cash received from issuance of debentures		26,988,000	16,000,000	13,978,000
	Sub-total of cash inflows		87,450,231	91,428,469	56,270,314
	Cash repayments of borrowings		(69,162,832)	(87,798,765)	(43,863,000)
	Cash paid for dividends, profit distributions or interest		(3,055,764)	(2,144,934)	(1,512,298)
	Cash paid relating to other financing activities		(99,853)	(31,433)	(17,673)
	Sub-total of cash outflows		(72,318,449)	(89,975,132)	(45,392,971)
	Net cash generated from financing activities		15,131,782	1,453,337	10,877,343
IV.	Effect of foreign exchange rate changes on cash and cash equivalents		(19,747)	3	3,185
V.	Net increase/(decrease) in cash and cash equivalents	XII.18	6,101,099	(876,930)	272,735
	Add: Cash and cash equivalents at the beginning of the period/year		286,922	1,163,852	891,117
VI.	Cash and cash equivalents at the end of the period/year		6,388,021	286,922	1,163,852

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Unit: RMB'000

		Ten months ended 31 October 2014								
		Attributable to shareholders of the Company								
Item	*Note*	**Share capital**	**Capital reserve**	**Other comprehensive income**	**Specific reserve**	**Surplus reserve**	**General risk provision**	**Retained earnings**	**Non-controlling interests**	**Total**
I. Balance as at 1 January 2014		10,320,056	15,822,034	(339,004)	49,957	617,534	34,582	11,275,183	1,785,293	39,565,635
II. Changes in equity for the period		1,939,724	5,768,588	(157,066)	—	—	3,456	2,388,350	(11,253)	9,931,799
1. Total comprehensive income		—	—	(157,066)	—	—	—	4,455,856	114,579	4,413,369
2. Shareholders' contributions and decrease of capital		1,939,724	5,768,588	—	—	—	3,456	(3,456)	(71,627)	7,636,685
(1) Contribution by shareholders		1,939,724	5,790,358	—	—	—	—	—	51,398	7,781,480
(2) Equity settled share-based payment	VII	—	(21,735)	—	—	—	—	—	(175)	(21,910)
(3) Others		—	(35)	—	—	—	3,456	(3,456)	(122,850)	(122,885)
3. Appropriation of profits	V.40	—	—	—	—	—	—	(2,064,050)	(54,205)	(2,118,255)
(1) Appropriation for surplus reserve		—	—	—	—	—	—	—	—	—
(2) Appropriation for general risk provision		—	—	—	—	—	—	—	—	—
(3) Distributions to shareholders		—	—	—	—	—	—	(2,064,011)	(54,102)	(2,118,113)
(4) Appropriation by subsidiary for staff incentive and welfare funds		—	—	—	—	—	—	(39)	(103)	(142)
4. Specific reserve		—	—	—	—	—	—	—	—	—
(1) Accrued		—	—	—	143,243	—	—	—	4,746	147,989
(2) Utilised		—	—	—	(143,243)	—	—	—	(4,746)	(147,989)
Sub-total (1- 4)		1,939,724	5,768,588	(157,066)	—	—	3,456	2,388,350	(11,253)	9,931,799
III. Balance as at 31 October 2014		12,259,780	21,590,622	(496,070)	49,957	617,534	38,038	13,663,533	1,774,040	49,497,434

Unit: RMB'000

Item	Note	For the year ended 31 December 2013 — Attributable to shareholders of the Company								
		Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	General risk provision	Retained earnings	Non-controlling interests	Total
I. Balance as at 1 January 2013		10,320,056	15,861,081	(358,316)	23,815	498,035	1,500	8,324,964	1,577,442	36,248,577
II. Changes in equity for the year		—	(39,047)	19,312	26,142	119,499	33,082	2,950,219	207,851	3,317,058
1. Total comprehensive income		—	—	19,312	—	—	—	4,128,559	97,069	4,244,940
2. Shareholders' contributions and decrease of capital		—	(39,047)	—	—	—	—	6,352	132,854	100,159
(1) Contribution by shareholders		—	—	—	—	—	—	—	155,019	155,019
(2) Equity settled share-based payment	VII	—	32,895	—	—	—	—	—	307	33,202
(3) Business combinations under common control		—	(102,242)	—	—	—	—	6,352	—	(95,890)
(4) Others		—	30,300	—	—	—	—	—	(22,472)	7,828
3. Appropriation of profits	V.40	—	—	—	—	119,499	33,082	(1,184,692)	(23,455)	(1,055,566)
(1) Appropriation for surplus reserve		—	—	—	—	119,499	—	(119,499)	—	—
(2) Appropriation for general risk provision		—	—	—	—	—	33,082	(33,082)	—	—
(3) Distributions to shareholders		—	—	—	—	—	—	(1,032,006)	(23,216)	(1,055,222)
(4) Appropriation by subsidiaries for staff incentive and welfare funds		—	—	—	—	—	—	(105)	(239)	(344)
4. Specific reserve		—	—	—	26,142	—	—	—	1,383	27,525
(1) Accrued		—	—	—	208,205	—	—	—	5,477	213,682
(2) Utilised		—	—	—	(182,063)	—	—	—	(4,094)	(186,157)
Sub-total (1- 4)		—	(39,047)	19,312	26,142	119,499	33,082	2,950,219	207,851	3,317,058
III. Balance as at 31 December 2013		10,320,056	15,822,034	(339,004)	49,957	617,534	34,582	11,275,183	1,785,293	39,565,635

Unit: RMB'000

Item	Note	For the year ended 31 December 2012 — Attributable to shareholders of the Company								
		Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	General risk provision	Retained earnings	Non-controlling interests	Total
I. Balance as at 31 December 2011		8,300,000	10,851,283	(329,511)	—	246,875	—	5,695,391	1,322,712	26,086,750
Add: Effect of business combinations under common control		—	78,069	—	—	—	—	—	—	78,069
II. Balance as at 1 January 2012		8,300,000	10,929,352	(329,511)	—	246,875	—	5,695,391	1,322,712	26,164,819
III. Changes in equity for the year		2,020,056	4,931,729	(28,805)	23,815	251,160	1,500	2,629,573	254,730	10,083,758
1. Total comprehensive income		—	—	(28,805)	—	—	—	3,399,749	151,179	3,522,123
2. Shareholders' contributions and decrease of capital		2,020,056	4,931,729	—	—	—	—	—	232,947	7,184,732
(1) Contribution by shareholders		2,020,056	4,853,585	—	—	—	—	—	232,379	7,106,020
(2) Equity settled share-based payment	VII	—	5,343	—	—	—	—	—	44	5,387
(3) Others		—	72,801	—	—	—	—	—	524	73,325
3. Appropriation of profits	V.40	—	—	—	—	251,160	1,500	(770,176)	(130,624)	(648,140)
(1) Appropriation for surplus reserve		—	—	—	—	251,160	—	(251,160)	—	—
(2) Appropriation for general risk provision		—	—	—	—	—	1,500	(1,500)	—	—
(3) Distributions to shareholders		—	—	—	—	—	—	(516,003)	(129,120)	(645,123)
(4) Appropriation by subsidiaries for staff incentive and welfare funds		—	—	—	—	—	—	(1,513)	(1,504)	(3,017)
4. Specific reserve		—	—	—	23,815	—	—	—	1,228	25,043
(1) Accrued		—	—	—	175,773	—	—	—	4,424	180,197
(2) Utilised		—	—	—	(151,958)	—	—	—	(3,196)	(155,154)
Sub-total (1- 4)		2,020,056	4,931,729	(28,805)	23,815	251,160	1,500	2,629,573	254,730	10,083,758
IV. Balance as at 31 December 2012		10,320,056	15,861,081	(358,316)	23,815	498,035	1,500	8,324,964	1,577,442	36,248,577

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Unit: RMB'000

Item		*Note*	Ten months ended 31 October 2014				
			Share capital	**Capital reserve**	**Surplus reserve**	**Retained earnings**	**Total**
I.	Balance as at 1 January 2014		10,320,056	18,361,069	608,648	2,794,111	32,083,884
II.	Changes in equity for the period		1,939,724	5,768,448	—	(1,502,118)	6,206,054
	1. Total comprehensive income		—	—	—	561,893	561,893
	2. Shareholders' contributions and decrease of capital		1,939,724	5,768,448	—	—	7,708,172
	(1) Contribution by shareholders		1,939,724	5,790,358	—	—	7,730,082
	(2) Equity settled share-based payment	VII	—	(21,910)	—	—	(21,910)
	3. Appropriation of profits		—	—	—	(2,064,011)	(2,064,011)
	(1) Distributions to shareholders		—	—	—	(2,064,011)	(2,064,011)
	Sub-total (1- 3)		1,939,724	5,768,448	—	(1,502,118)	6,206,054
III.	Balance as at 31 October 2014		12,259,780	24,129,517	608,648	1,291,993	38,289,938

Unit: RMB'000

Item		Note	For the year ended 31 December 2013				
			Share capital	Capital reserve	Surplus reserve	Retained earnings	Total
I.	Balance as at 1 January 2013		10,320,056	18,327,867	489,149	2,750,626	31,887,698
II.	Changes in equity for the year		—	33,202	119,499	43,485	196,186
	1. Total comprehensive income		—	—	—	1,194,990	1,194,990
	2. Shareholders' contributions and decrease of capital		—	33,202	—	—	33,202
	(1) Equity settled share-based payment	VII	—	33,202	—	—	33,202
	3. Appropriation of profits		—	—	119,499	(1,151,505)	(1,032,006)
	(1) Appropriation for surplus reserve		—	—	119,499	(119,499)	—
	(2) Distributions to shareholders		—	—	—	(1,032,006)	(1,032,006)
Sub-total (1- 3)			—	33,202	119,499	43,485	196,186
III.	Balance as at 31 December 2013		10,320,056	18,361,069	608,648	2,794,111	32,083,884

Unit: RMB'000

Item		*Note*	For the year ended 31 December 2012				
			Share capital	**Capital reserve**	**Surplus reserve**	**Retained earnings**	**Total**
I.	Balance as at 1 January 2012		8,300,000	13,468,895	237,989	1,006,190	23,013,074
II.	Changes in equity for the year		2,020,056	4,858,972	251,160	1,744,436	8,874,624
	1. Total comprehensive income		—	—	—	2,511,599	2,511,599
	2. Shareholders' contributions and decrease of capital		2,020,056	4,858,972	—	—	6,879,028
	(1) Contribution by shareholders		2,020,056	4,853,585	—	—	6,873,641
	(2) Equity settled share-based payment	VII	—	5,387	—	—	5,387
	3. Appropriation of profits		—	—	251,160	(767,163)	(516,003)
	(1) Appropriation for surplus reserve		—	—	251,160	(251,160)	—
	(2) Distributions to shareholders		—	—	—	(516,003)	(516,003)
	Sub-total (1- 3)		2,020,056	4,858,972	251,160	1,744,436	8,874,624
III.	Balance as at 31 December 2012		10,320,056	18,327,867	489,149	2,750,626	31,887,698

NOTES TO THE FINANCIAL STATEMENTS

I. COMPANY STATUS

China CNR Corporation Limited (the "Company") is established as a joint stock company with limited liability in Beijing on 26 June 2008, with its head office located in No.15 Building, Fang Cheng Yuan Area One, Fengtai District, Beijing, China. The Company's parent and ultimate parent company is China Northern Locomotive & Rolling Stock Industry (Group) Corporation ("CNRG").

Headquartered in Beijing, CNRG is a state-owned enterprise formed on the basis of some entities under China National Railways Locomotive and Rolling Stock Industrial Corporation on 4 March 2002 with the State Council's approval in accordance with Guo Han [2002] No.18.

Pursuant to the State-owned Assets Supervision and Administration Commission (SASAC)'s *Approval on the Overall Reorganisation and Domestic Listing of China Northern Locomotive & Rolling Stock Industry (Group) Corporation* under ref. Guo Zi Gai Ge [2008] No.294, CNRG, the principal initiator of the Company, was authorised to establish the Company by way of injection of the investments of 20 subsidiaries, the assets of CNRG's headquarter (collectively the "Injected Assets") and cash into the Company together with cash result; according to the valuation report (Zhong Qi Hua Ping Bao Zi [2008] No. 188) issued by Beijing Zhangqihua Asset Appraisal Company limited on 20 June 2008. On 5 September 2008, SASAC approved the above evaluation results according to *Approval on Asset Appraisal Results for the Overall Reorganisation and Listing Project of China Northern Locomotive & Rolling Stock Industry (Group) Corporation* under ref. Guo Zi Chan Quan [2008] No. 917.

Below are the 20 entities with respective direct shareholding percentages as at assessment base date:

Qiqihar Railway Vehicle Equipment Co., Ltd. ("CNR Qiqihar Equipment") 齊齊哈爾軌道交通裝備有限責任公司	100%
Harbin Railway Vehicle Equipment Co., Ltd. ("CNR Harbin") 哈爾濱軌道交通裝備有限責任公司	100%
Changchun Railway Vehicle Equipment Co., Ltd. ("CNR Changchun Equipment") 長春軌道客車裝備有限責任公司	100%

CNR Dalian Locomotive & Rolling Stock Co. Ltd. ("CNR Dalian") 中國北車集團大連機車車輛有限公司	100%
Tangshan Railway Transportation Equipment Co., Ltd. ("CNR Tangshan Equipment") 唐山軌道交通裝備有限責任公司	100%
Tangshan Railway Vehicle Co., Ltd. ("CNR Tangshan") 唐山軌道客車有限責任公司	100%
Tianjin JL Railway Transportation Equipment Co., Ltd. ("CNR Tianjin") 天津機輛軌道交通裝備有限責任公司	100%
Beijing Nankou Railway Machinery Co., Ltd. ("CNR Beijing Nankou") 北京南口軌道交通機械有限責任公司	100%
Taiyuan Railway Transportation Equipment Co., Ltd. ("CNR Taiyuan") 太原軌道交通裝備有限責任公司	100%
Yongji Xinshisu Electric Equipment Co., Ltd. ("Yongji Xinshisu") 永濟新時速電機電器有限責任公司	100%
Jinan Railway Vehicle Equipment Co., Ltd. ("CNR Jinan") 濟南軌道交通裝備有限責任公司	100%
Xi'an Railway Vehicle Equipment Co., Ltd. ("CNR Xi'an") 西安軌道交通裝備有限責任公司	100%
Lanzhou Jinniu Railway Vehicle Equipment Co., Ltd. 蘭州金牛軌道交通裝備有限責任公司	100%
CNR Dalian Locomotive Research Institute Co., Ltd. ("CNR Dalian Institute") 中國北車集團大連機車研究所有限公司	100%
Qingdao Sifang Rolling Stock Research Institute Co., Ltd. ("CNR Qingdao Sifang") 青島四方車輛研究所有限公司	100%
Zhongche Import & Export Corp., Ltd. 中車進出口有限責任公司	100%
Beijing Feb.7th Railway Vehicle Equipment Co., Ltd. ("CNR Beijing Feb.7th") 北京二七軌道交通裝備有限責任公司	100%

CNR Datong Electric Locomotive Co., Ltd. ("CNR Datong") 中國北車集團大同電力機車有限責任公司	100%
Beijing CNR Logistics Development Co., Ltd. ("CNR Logistics") 北京北車物流發展有限責任公司	69.77%
Changchun Railway Vehicle Co., Ltd. ("CNR Changchun") 長春軌道客車股份有限公司	73.70%

Lanzhou Railway Vehicle Equipment was renamed as CNR Lanzhou Locomotive Co., Ltd. ("CNR Lanzhou") in 2010.

Zhongche Import & Export Co., Ltd. was renamed as CNR Import & Export Co., Ltd. ("CNR Import & Export") in 2010.

Pursuant to the SASAC's *Approval on the Establishment of China CNR Corporation Limited* under ref. Guo Zi Gai Ge [2008] No.570, CNRG, Datong Qianjin Investment Co., Ltd., China Chengtong Holdings Group Limited, and China Huarong Assets Management Co., Ltd. jointly initiated and established the Company with a share capital comprising a total of 5,800,000,000 with a nominal value of RMB1.00 per Share.

The shareholding Structure of the Company immediately after the establishment was as follows:

	Number of Shares held	**Approximate % of Shareholding**
CNRG	5,291,000,000	91.23%
CNR Datong Qianjin Investment Co., Ltd.	451,000,000	7.78%
China Chengtong Holding Group Limited	34,000,000	0.58%
China Huarong Assets Management Co., Ltd.	23,742,690	0.41%
Total	5,800,000,000	100.00%

As at September 2008, CNRG contributed a total of RMB7,800.00 million partly in cash and partly in other assets on two separate occasions to subscribe for RMB5,291.23 million in the share capital, with a share premium amounting to RMB2,508.77 million. Datong Qianjin Investment Co., Ltd., China Chengtong Holdings Group Limited, and China Huarong Assets Management Co., Ltd. made cash contributions of RMB665.00 million, RMB50.00 million, and RMB35.00 million, to subscribe for RMB451.11 million, RMB33.92 million, and RMB23.74 million in the share capital, with share premiums amounting to RMB213.89 million, RMB16.08 million, and RMB11.26 million, respectively. The Company's registered capital has been fully paid up.

The contributions and shareholdings by these initiators were approved by the SASAC under its *Approval on Issues Related to the Administration of State-owned Interests in China CNR Corporation Limited* under ref. Guo Zi Chan Quan [2008] No.1133.

Pursuant to the China Securities Regulatory Commission (CSRC)'s approval under ref. Zheng Jian Xu Ke [2009] No. 1270, the Company issued RMB2,500.00 million denominated ordinary shares of RMB1.00 each through the Shanghai Stock Exchange on 21 December 2009, and listed on the Shanghai Stock Exchange on 29 December 2009. After initial public offering of A Shares in China, the Company increased its registered capital and share capital to RMB8,300.00 million.

According to Zheng Jian Xu Ke [2012] No.184 ("The Official Approval about China CNR Corporation Limited Share Allotment") issued by CSRC, the Company has offered the shares on the basis of 2.5 shares for every 10 existing shares held (involving the entire share capital of 8,300,000,000 shares), to all shareholders whose names appeared on the register of members of the Company, as maintained by China Securities Depository and Clearing Corporation Limited, Shanghai Branch, after the close of trading on the Shanghai Stock Exchange on the Share Record Date (i.e. 24 February 2012), and the par value of share was RMB1.00 each. As of 6 March 2012, a total of 2,020,056,000 shares were held by shareholders, and the Company's registered capital and share capital both increased to RMB10,320.06 million a following of the capitalization issue.

According to Zheng Jian Xu Ke [2014] 404 ("The Official Approval about China CNR Corporation Limited Global Offering") issued by CSCR on 14 May 2014 and approved by the Stock Exchange of Hong Kong (SEHK), the Company completed its global offering of 1,821,200,000 H ordinary shares with nominal value of RMB1.00 each were issued at a price of HKD 5.17 per share, and the H shares have since then been listed on Hong Kong Listing Main Board from 22 May 2014. On 13 June 2014, in connection with the partially exercise of the Over-allotment Option, 118,524,000 H ordinary shares with nominal value of RMB1.00 each were issued at a price of HKD 5.17 per share by the Company. Meanwhile, relevant state-owned shareholders of the Company transferred 193,972,400 A Shares to National Council for Social Security Fund of the PRC ("NSSF") after the partly exercise of the Over-allotment Option and such A shares converted into H listed shares. Upon completion, the Company's registered capital and share capital both increased to RMB12,259.78 million.

The Company and its subsidiaries (the "Group") are principally engaged in the research and development, design, manufacture, repair and service of locomotive and rolling stock (including multiple units), rapid transit vehicles, mechanical and electrical engineering equipment, and electronic equipment and related component products; as well as respective product sales, technical services and equipment leasing business; import and export business; industrial investments associated with the above activities; asset management; and information advisory business.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basis of preparation

As stated in Note 10 of these financial statements, the proposal for an equal merger between the Company and China CSR Corporation Limited (CSR) was approved by the Company's Board of Directors on 30 December 2014. Under the merger plan, CSR will merge the Company by way of absorption and share-exchange to form a new company. Upon the realization of the merger, the Post-Merger New Company will hold all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR and the company. Based on the principle of substance over form, the proposed business combination of the Company and CSR will be the involving entities under the common control of the state due to industry restructuring, thus the assets and liabilities of the Group will be transferred to the new company at their carrying value in future. For this reason, despite the fact that the Company will not continue in form, the Company's businesses, assets and liabilities will, in substance, be transferred to the new company on a going concern basis. As such, the Company continued to prepare these financial statements on a going concern basis.

2. Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance ("MOF") of the People's Republic of China ("PRC"). These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2012 and 2013 and as at 31 October 2014, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the years and the period then ended.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial statements" as revised by the CSRC in 2010.

3. Accounting period

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

4. Functional currency

The Company's functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled.

5. Accounting treatments for a business combination involving enterprises under and not under common control

(1) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total par value of shares issued) is adjusted to share premium in the capital reserve. If the balance of share premium is insufficient,

any excess is adjusted to retained earnings. Any costs directly attributable to the combination are recognised in profit or loss for the current period when occurred. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

(2) Business combinations involving enterprises not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination. Where 1) the aggregate of the fair value at the acquisition date of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds 2) the acquirer's interest in the fair value at the acquisition date of the acquiree's identifiable net assets, the difference is recognised as goodwill (see Note II.19). Where 1) is less than 2), the difference is recognised in profit or loss for the current period. The costs of the issuance of equity or debt securities as a part of the consideration paid for the acquisition are included as a part of initial recognition amount of the equity or debt securities. Other acquisition-related costs arising from the business combination are recognised as expenses in the periods in which the costs are incurred. The acquiree's identifiable assets, liabilities and contingent liabilities, if satisfying the recognition criteria, are recognised by the Group at their fair value at the acquisition date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

6. Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control means that the Group has the power over an investee, the rights to variable returns from its involvement with the investee, and the ability to use such power to affect the amount of those returns. When assessing whether the Group has the power over the investee, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated. In the preparation of the consolidated financial statements, the subsidiary's assets and liabilities, based on the carrying amounts set out in the financial statements of the ultimate controlling party, are included in the consolidated balance sheet, and financial performance is included in the consolidated income statement, respectively, from the date that the ultimate controlling party of the Group obtains the control of the subsidiary to be consolidated.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, base on the fair value of those identifiable assets and liabilities at the acquisition date.

For a business combination involving enterprises not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree is reclassified as investment income for the current period.

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the non-controlling interests are adjusted and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet. If the credit balance of capital reserve (share premium) is insufficient, any excess is adjusted to retained earnings.

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the Group derecognises assets, liabilities, non-controlling interests and other related items in shareholders' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any gains or losses therefore incurred are recognised as investment income for the current period when control is lost.

Non-controlling interest is presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

7. Cash and cash equivalents

Cash and cash equivalents comprise Cash in hand, demand deposits, and short- term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

8. Foreign currency transactions and translation of financial statements denominated in foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates or the rates that approximate the spot exchange rates on the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the People's Bank of China, the State Administration of Foreign Exchange or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, normally the weighted average exchange rate.

Monetary items denominated in foreign currencies at the period-end are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences, except for those arising from the principal and interest of specific foreign currency borrowings for the purpose of acquisition, construction of qualifying assets (see Note II.16), are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to Renminbi using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the resulting exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale financial assets, which are recognised as other comprehensive income.

The assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. The equity items, excluding "Retained earnings", are translated to Renminbi at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to Renminbi at the spot exchange rates at the transaction dates. The resulting translation differences are recognised as other comprehensive income in shareholders' equity. Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

9. Financial instruments

Financial instruments include cash at bank and in hand, other than long-term equity investments (see Note II.12), loans and receivables, payables, borrowings, debentures payable and share capital.

(1) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. Subsequent to initial recognition, financial assets and liabilities are measured as follows:

— Financial assets and financial liabilities at fair value through profit or loss

A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is a derivative, unless the derivative is a designated and effective hedging instrument.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

— Loans and receivables

The Company's loans are largely entrusted loans. Entrusted loans are funds offered by the Group to financial institutions for lending purposes, according to the requirements set by the Group for loan targets, uses, amounts, duration, and interest rates, and are subject to recovery by the financial institutions on the Group's behalf.

Subsequent to initial recognition, entrusted loans are measured at amortised cost using the effective interest method.

The Group determines interest based on amortised cost of loans and effective interest rates, and recognises it in profit or loss.

Entrusted loans are stated as "Other current assets", "Non- current assets due within one year", or "Other non-current assets", respectively, according to loan contract duration.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method.

— Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available for sale.

Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost subsequent to initial recognition. Other available-for-sale financial assets are measured at fair value subsequent to initial recognition and changes therein, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognised directly in profit or loss, are recognised as other comprehensive income. Dividend income from the available-for-sale equity instruments is recognised in profit or loss when the investee declares the dividends.

— Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Other financial liabilities include the liabilities arising from financial guarantee contracts. Financial guarantees are contracts that require the Group (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where the Group issues a financial guarantee, subsequent to initial recognition, the guarantee is measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision (see Note II.22) determined in accordance with the principles of contingencies.

Subsequent to initial recognition, the Group's other financial liabilities are measured at amortised cost using the effective interest method.

(2) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

— the Group has a legal right to set off the recognised amounts and the legal right is currently enforceable;

— the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

(3) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers substantially all the risks and rewards of ownership of the financial asset to another party.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

— the carrying amount of the financial asset transferred;

— the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in shareholders' equity.

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged, cancelled or expires.

(4) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised.

Objective evidence that a financial asset is impaired includes but is not limited to:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

(c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(d) the disappearance of an active market for that financial asset because of financial difficulties faced by the issuer;

(e) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of an investment in an equity instrument may not be recovered by the investor;

(f) a significant decline in the fair value or a prolonged decline in the fair value of an investment in an equity instrument below its cost.

For the calculation method of impairment of receivables, refer to Note II.10. The impairment of other financial assets is measured as follows:

— Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis. When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in shareholders' equity is reclassified to profit or loss even though the financial asset has not been derecognised. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. The impairment loss an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured shall not be reserved.

(5) Equity instrument

An equity instrument is a contract that proves the ownership interest of the assets after deducting all liabilities in the Company.

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity.

10. Impairment of receivables

Receivables are assessed for impairment both on an individual basis and on a collective group basis.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

The assessment is made collectively where receivables share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting present economic conditions.

If, after an impairment loss has been recognised on receivables, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding what the amortised cost would have been had no impairment loss been recognised in prior years.

(a) Receivables those are individually significant and assessed individually for impairment:

Judgement basis or criteria for receivables that are individually significant	The Group's balances of receivables from its top ten customers are deemed as individually significant.
Method of provisioning for bad and doubtful debts for receivables that are individually significant and assessed individually	An impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate.

(b) Receivables those are individually insignificant but assessed individually for impairment:

Reasons for assessing individually for impairment of receivables that are individually insignificant	Receivables that are lawsuit amounts or due from customers with deteriorating credit status, etc.
Method of provisioning for bad and doubtful debts for receivables that are individually insignificant but assessed individually	An impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate.

(c) Receivables those are collectively assessed for impairment:

Receivables that have not been individually assessed as impaired in the above assessments in Notes (a) and (b) are included in the collective assessment of impairment for receivables sharing similar credit risk characteristics.

Basis for determining the group	Aging
Method of provisioning for receivables that are collectively assessed for impairment	Aging analysis method

The provisioning for groups of receivables using the aging analysis method:

Aging	**Provisions as a percentage of accounts receivable** *(%)*	**Provisions as a percentage of other receivables** *(%)*
Within 1 year (inclusive)	—	—
Over 1 year but within 2 years (inclusive)	10%	10%
Over 2 year but within 3 years (inclusive)	20%	20%
Over 3 year but within 4 years (inclusive)	50%	50%
Over 4 year but within 5 years (inclusive)	80%	80%
Over 5 years	100%	100%

11. Inventories

(1) Classification and cost

Inventories include raw materials, work in progress, semi-finished goods, finished goods, construction contracts-costs incurred but not settled and reusable materials. Reusable materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets.

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition. In addition to the purchasing cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of production overheads.

Contract costs comprise the direct and indirect costs attributable to the contract and incurred during the period from the date of entering into the contract to the final completion of the contract. The net amount of (a) costs incurred plus recognised profits (less recognised losses) and (b) progress billings is presented in the balance sheet as inventory when (a) exceeds (b), or as advance from customers when (b) exceeds (a).

(2) Cost of inventories transferred out

Cost of inventories transferred out is calculated using the specific identification, first-in-first-out, or weighted average method according to the type of inventories.

Consumables including low-value consumables and packaging materials are amortised in full when received for use. The amortisations are included in the cost of the related assets or recognised in profit or loss for the current period.

(3) Basis for determining the net realisable value of inventories and provisioning methods for decline in value of inventories

At the balance sheet date, inventories are carried at the lower of cost and net realisable value.

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 net realisable value of materials held for use in the production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the quantity of inventory held to satisfy sales or service contracts is measured based on the contract price. If the quantities held by the Group are more than the quantities of inventories specified in sales contracts, the net realisable value of the excess portion of inventories is measured based on general selling prices.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for diminution in the value of inventories, and is recognised in profit or loss.

(4) Inventory system

The Group maintains a perpetual inventory system.

12. Long-term equity investments

(1) Investment cost

(a) Long-term equity investments acquired through a business combination

— The initial investment cost of a long-term equity investment obtained through a business combination involving enterprises under common control is the part of the acquiree's owner's equity acquired in the carrying amount in the ultimate controlling party's consolidated financial statements at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to retained earnings.

— For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial investment cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving enterprises under common control and achieved in stages, the initial cost comprises the carrying value of previously-held equity investment in the acquiree immediately before the acquisition date, and additional investment cost at the acquisition date.

(b) Long-term equity investments acquired other than through a business combination

— A long-term equity investment acquired other than through a business combination is initially recognised at the actual consideration paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

(2) Subsequent measurement

(a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as current investment income.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses (Note II.20).

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the policies described in Note II.6.

(b) Investment in joint ventures and associates

A joint ventures is an enterprise which operates under joint control (see Note II.12(3)) in accordance with a contractual agreement between the Group and other parties.

An associate is an enterprise over which the Group has significant influence (see Note II.12(3)).

An investment in a jointly controlled enterprise or an associate is accounted for using the equity method for subsequent measurement.

The Group makes the following accounting treatments when using the equity method:

— Where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

— After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income, as investment income or losses and other comprehensive income, and adjusts the carrying amount of the investment accordingly; once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group. The Group adjusts the carrying amount of the long-term equity investment for changes in owners' equity of the investee other than those arising from net profits or losses, other comprehensive income and profit distribution, and recognises the corresponding adjustment in shareholders' equity.

The Group recognises its share of the investee's net profits or losses, other comprehensive income and shareholders' equity after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or jointly controlled enterprises. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

— The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long- term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate or the jointly controlled enterprise is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Where net profits are subsequently made by the associate or jointly controlled enterprise, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(3) Basis for determining the existence of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control over an investee's economic activities, and exists only when the strategic financial and operating decisions relating to the activities require the unanimous consent of the parties sharing the control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

— Whether no single investor is in a position to control the investee's operating activities unilaterally;

— Whether strategic decisions relating to the investee's main operating activities require the unanimous consent of all investors;

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

(4) Method of impairment testing and measurement

For the method of impairment testing and measurement for investments in subsidiaries, joint ventures and associates, refer to Note II.20.

13. Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model and stated in the balance sheet at cost less accumulated depreciation, amortisation and impairment losses. The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated or amortised using the straight-line method over its estimated useful life. For the method of impairment testing and measurement, refer to Note II.20.

The estimated useful lives, residual value rates and depreciation rates of each class of investment properties are as follows:

Class	**Estimated useful life** *(years)*	**Residual value rate** *(%)*	**Depreciation rate** *(%)*
Plant and buildings	20-50 years	3%-5%	1.90%-4.85%
Land use rights	50 years	0%	2%

14. Fixed assets

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in production of goods, in supply of services, for rental to others or for administrative purposes with useful lives over one accounting year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note II.15.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

The subsequent costs including the cost of replacing part of an item of fixed assets are recognised in the carrying amount of the item if the criteria to recognise fixed assets are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation of fixed assets

The cost of fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life.

The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Class	Estimated useful life *(years)*	Residual value rate *(%)*	Depreciation rate *(%)*
Plant and buildings	20-50 years	3%-5%	1.90%-4.85%
Machinery and equipment	10-28 years	3%-5%	3.39%-9.70%
Office and other equipment	5-12 years	3%-5%	7.92%-19.40%
Motor vehicles	5-15 years	3%-5%	6.33%-19.40%

Useful lives, estimated residual value and depreciation methods are reviewed at least at each year-end.

(3) For the method of impairment testing and measurement, refer to Note II.20.

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

— when the fixed asset is on disposal; or

— when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

15. Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note II.16), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is included in construction in progress before it is transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress. Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note II.20).

16. Borrowing costs

Borrowing costs incurred directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

— Where funds are borrowed specifically for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.

— Where funds are borrowed generally and used for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense in the period in which they are incurred.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction that are necessary to prepare the asset for its intended use or sale are in progress, and ceases when the assets become ready for their intended use or sale. Capitalisation of borrowing costs is suspended when the acquisition, construction activities are interrupted abnormally and the interruption lasts for more than three months.

17. Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note II.20). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised on the straight-line method over its estimated useful life.

The respective amortisation periods for such intangible assets are as follows:

Item	**Amortisation period (years)**
Land use right-non administratively allocated land	50 years
Non-patent technology	10 years
Other	2-10 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the balance sheet date, the Group does not have any intangible assets with indefinite useful lives.

Expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase is recognised in profit or loss when incurred. Expenditure on the development phase is capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group intends to and has sufficient resources to complete the development. Capitalised development costs are stated in the balance sheet at cost less impairment losses (see Note II.20). Other development expenditure is recognised as an expense in the period in which it is incurred.

18. Long-term deferred expenses

Long-term deferred expenses are amortised on a straight-line method within the benefit period.

19. Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under the business combination not involving enterprises under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note II.20). On disposal of an asset group or a set of asset groups, any attributable amount of purchased goodwill is written off and included in the calculation of the profit or loss on disposal.

20. Impairment of assets other than inventories, financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:

— fixed assets

— construction in progress

— intangible assets

— investment properties measured using a cost model

— long-term equity investments

— goodwill

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill at each year- end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group or set of asset groups, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset, asset group or set of asset groups is the higher of its fair value less costs to sell and its present value of expected future cash flows (see Note II.21).

An asset group is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. An asset group is composed of assets directly relating to cash-generation. 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. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

If the result of the recoverable amount calculation indicates the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss for the current period. A provision for impairment of the asset is recognised accordingly. For impairment losses related to an asset group or a set of asset groups, first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be lower than the greatest amount of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

21. Measurement of fair value

Unless otherwise stated, the Group measures fair value according to the following principles:

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 considers the features that market participants consider at measurement date to price related asset or liability (including the status and location of the asset, the restrictions on the sale of use of the asset), and uses valuation techniques applicable under the current conditions with adequate available data and other supporting information. Valuation techniques mainly include market approach, income approach and cost approach.

22. Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

23. Share-based payments

(1) Classification of share-based payments

Share-based payment transactions in the Group are classified as equity- settled share-based payments.

(2) Method to determine the fair value of equity instruments

The Group determines the fair value related to share-based payments in accordance with *Accounting Standards for Business Enterprises No.11: Share-based Payments*. The fair value of equity instruments is measured based on a Black-Scholes Model, see Note VII Share-based payments.

(3) Basis for the best estimate of the number of equity instruments expected to vest

At each balance sheet date during the vesting period, the Group makes the best estimation according to the latest information of the number of employees who are granted to vest and revises the number of equity instruments expected to vest. On vesting date, the estimate is equal to the number of equity instruments that are ultimately vest.

(4) Accounting treatment

— Equity-settled share-based payments

Where the Group uses shares or other equity instruments as consideration for services received from the employees, the payment is measured at the fair value of the equity instruments granted to the employees at the grant date (See above (2)). If the equity instruments granted to employees do not vest until the completion of services for a vesting period, or until the achievement of a specified performance condition, the Group, at each balance sheet date during the vesting period, makes the best estimation according to the latest information of the number of employees who are granted to vest and revises the number of equity instruments expected to vest. Based on the best estimation, the Group recognises the services received for the current period as related costs or expenses, with a corresponding increase in capital reserve, at an amount equal to the fair value of the equity instruments at the grant date.

24. Revenue recognition

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following respective conditions are met:

(1) Sale of goods

Sales of goods revenue is recognized when the Group sells locomotives (including multiple units), urban rail vehicles, construction machinery, electromechanical equipment, and materials etc.

Revenue from sale of goods is recognised when all of the general conditions stated above and the following conditions are satisfied:

— The significant risks and rewards of ownership of goods have been transferred to the buyer;

— The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable under the sales contract or agreement.

(2) Rendering of services

Rendering of services revenue is recognized when the Group provides refurbishment service of locomotives (including multiple units), urban rail vehicles, construction machinery, and electromechanical equipment etc.

Revenue from rendering of services is measured at the fair value of the consideration received or receivable under the contract or agreement.

At the balance sheet date, where the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised by reference to the stage of completion of the transaction based on the proportion of costs incurred to date to the estimated total costs.

Where the outcome of rendering of services cannot be estimated reliably, if the costs incurred are expected to be recoverable, revenues are recognised to the extent of the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; if the costs incurred are not expected to be recoverable, the costs incurred are recognised in profit or loss and no service revenue is recognised.

(3) Revenue from construction contracts

At the balance sheet date, where the outcome of a construction contract can be estimated reliably, contract revenue and contract expenses associated with the construction contract are recognised using the percentage of completion method.

The stage of completion of a contract is determined based on the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably:

— If the contract costs can be recovered, revenue is recognised to the extent of contract costs incurred that can be recovered, and the contract costs are recognised as contract expenses when incurred.

— If the contract costs cannot be recovered, the contract costs are recognised as contract expenses immediately when incurred, and no contract revenue is recognised.

(4) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

25. Employee benefits

(1) Short-term benefits

The Group recognises the employee compensation, bonus, the Group's contributions to social insurances (such as basic medical insurance, work-related injury insurance, maternity insurance), as well as contributions to housing fund, incurred in the accounting period in which the associated services are rendered by employees, at the applicable benchmarks and rates stipulated by the government, as liabilities, and included in current profit or loss, or the cost of related assets.

(2) Post-employment benefits - defined contribution plan

Pursuant to the relevant laws and regulations of the PRC, the Group to the relevant contribution plan provided to its employees is basic pension insurance in the social insurance system established and managed by government organizations for the benefit of its employees at the applicable benchmarks and rates stipulated by the government. In the period in which the associated services are rendered by employees, the Group recognize the amount of payable contributions as liabilities, and include it in current profit or loss, or the cost of related assets.

(3) Post-employment benefits - defined benefit retirement plan

The Group's defined benefit retirement plan is a supplementary retirement benefit provided to employees retired on or before 31 December 2007.

The Group adopts projected unit credit method (預期累計福利單位法), using unbiased and mutually compatible actuarial assumptions to estimate demographic variables and financial variables, to measure the obligations under the defined benefit plan, and recognise the discounted present value of defined benefit plan obligation.

The Group attribute such obligations to the period of service provided by employees, service cost and interest expense on the net defined benefit liabilities are recognised in profit or loss, remeasuring arising from defined benefit liabilities are recognised in other comprehensive income.

(4) Termination benefits

When the Group terminates the employment relationship with employees before the employment contracts expire, or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision for the termination benefits provided is recognised in profit or loss at the earlier date of the following:

— The time the Group is not allowed to withdraw from termination plan or redundancy offer unilaterally;

— The time the Group recognizes the related cost or expense related to paying early-retirement benefits.

(5) Early retirement benefits

The Group provides early retirement benefits for eligible employees, at the time of the signing of a early retirement agreement, with restriction on unilaterally revocation with employees, the Group recognised the amount of benefits to be provided to the employees as liabilities for the period from the stop of providing service to the group to the normal retirement date, while charge to income statement.

26. Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for any capital contribution from the government as an investor in the Group. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of "capital reserve" are dealt with as capital contributions, and not regarded as government grants.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long- term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the subsequent periods is recognised initially as deferred income and recognised in profit or loss in the same periods in which the expenses are recognised. A grant that compensates the Group for expenses incurred is recognised in profit or loss immediately.

27. Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, the amount of deferred tax recognised is measured based on the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is recovered or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all the following conditions are met:

— the taxable entity has a legally enforceable right to offset current tax liabilities and current tax assets;

— they relate to income taxes levied by the same tax authority on either:

  — the same taxable entity; or

  — different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

28. Operating leases and finance leases

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(1) Operating lease charges

Rental payments under operating leases are recognised as part of the cost of another related asset or as expenses on a straight-line basis over the lease term. Contingent rental payments are recognised as expenses in the accounting period in which they are incurred.

(2) Assets leased out under operating leases

Fixed assets leased out under operating leases, except for investment properties (see Note II.13), are depreciated in accordance with the Group's depreciation policies described in Note II.14(2). Impairment losses are recognised in accordance with the accounting policy described in Note II.20. For other assets leased out under operating leases, income derived from operating leases is recognised in the income statement using the straight- line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately.

(3) Assets leased out under finance leases

At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable; The difference between the aggregate of the minimum lease receipts, the initial direct costs, and the aggregate of their present value is recognised as unearned finance income.

Unearned finance income is allocated to each accounting period during the lease term using the effective interest method. At the balance sheet date, finance lease receivables, net of unearned finance income, are presented as long-term receivables or non-current assets due within one year, respectively, in the balance sheet.

Contingent rentals are recognised as income in the accounting period in which they are earned.

29. Specific reserve

The Group accrues safe production expense according to national regulations and includes it into the cost of related products or expense in current profit or loss, while record it under the account "specific reserve" in equity. The Group directly writes down specific reserve when utilized as expense.

30. Profit distributions to shareholders

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the balance sheet date, are not recognised as a liability at the balance sheet date but disclosed in the notes separately.

31. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group and the Company include, but are not limited to:

(a) the Company's parent;

(b) the Company's subsidiaries;

(c) enterprises that are controlled by the Company's parent;

(d) investors that have joint control or exercise significant influence over the Group;

(e) enterprises or individuals if a party has control or joint control over both the enterprises or individuals and the Group;

(f) joint ventures of the Group, including subsidiaries of joint ventures;

(g) associates of the Group, including subsidiaries of associates;

(h) principal individual investors of the Group and close family members of such individuals;

(i) key management personnel of the Group and close family members of such individuals;

(j) key management personnel of the Company's parent;

(k) close family members of key management personnel of the Company's parent; and

(l) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, or close family members of such individuals.

In addition to the related parties stated above, which are determined in accordance with the requirements of CAS, the following enterprises or individuals (but not limited to) are considered as related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC:

(m) enterprises, or persons that act in concert, which hold more than 5% of the Company's shares;

(n) individuals who directly or indirectly hold more than 5% of the Company's shares and their close family members, supervisors of the listed companies and their close family members;

(o) enterprises that satisfied any of the aforesaid conditions in (a), (c) or (m) during the past 12 months or will satisfy them within the next 12 months pursuant to relevant agreements;

(p) individuals who satisfied any of the aforesaid conditions in (i), (j) or (n) during the past 12 months or will satisfy them within the next 12 months pursuant to relevant agreements;

(q) enterprises, other than the Company and subsidiaries controlled by the Company, which are controlled directly or indirectly by an individual defined in (i), (j), (n) or (p), or in which such an individual assumes the position of a director or senior executive.

32. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, which is determined based on the internal financial report regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance. The Group mainly engages in manufacturing and selling rolling stocks, vehicles, related parts and repairing and maintenance, and no segment reporting is involved in the management requirements and internal reporting system, therefore, the Group as a whole is disclosed as one operating segment.

33. Significant accounting estimates and judgments

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Notes V. 33, VII and XI.4 contain information about the assumptions and their risk factors relating to termination benefits, share-based payments and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(1) Impairment of receivables

As described in Note II.10, receivables that are measured at amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is objective evidence of a recovery in value of receivables which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.

(2) Provision for diminution in value of inventories

As described in Note II.11, the net realisable value of inventories is under management's regular review, and as a result, provision for diminution in value of inventories is recognised for the excess of inventories' carrying amounts over their net realisable value. When making estimates of net realisable value, the Group takes into consideration the use of inventories held on hand and other information available to form the underlying assumptions, including the inventories' market prices and the Group's historical operating costs. The actual selling price, the costs of completion and the costs necessary to make the sale and relevant taxes may vary based on the changes in market conditions, manufacturing technology and the actual use of the inventories, resulting in the changes in provision for diminution in value of inventories. The net profit or loss may then be affected in the period when the provision for diminution in value of inventories is adjusted.

(3) Impairment of assets other than inventories, financial assets

As described in Note II.20, assets other than inventories, financial assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (or an asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

(4) Recognition of deferred tax asset

As explained in Note II.27, the Group's deferred tax assets arise from unused tax loss and deductible temporary difference. As deferred tax assets are only recognised to the extent that it is probable that tax loss will be used to deduct the future taxable profits, the Group makes estimate on the future taxable profits. The Group constantly reviews related judgments and recognises related deferred tax assets when it is highly probable that taxable profits will be available.

(5) Warranty provisions

As explained in Note V.28, the Group makes provisions under the warranties related to sale, maintenance and modification of its products, such as locomotives, vehicles and components and parts, mainly based on the Group's recent claim experience. Because the recent claim experience may not be indicative of future claims of the Group will receive in respect of past sales, a considerable level of management's judgment is required to estimate the provision. Any increase or decrease in the provision will be recognised in profit or loss in future years.

(6) Construction contract

As explained in NOTE II.24 (3) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognized in future years as an adjustment to the amounts recorded to date.

(7) Depreciation and amortisation of assets such as investment properties, fixed assets and intangible assets

As explained in Note II.13, 14 and 17, assets such as investment properties, fixed assets and intangible assets are depreciated and amortised over their useful lives after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

34. Changes in significant accounting policies and accounting estimates

(1) Changes and reasons for change

In early 2014, MOF released/revised a set of standards, CAS 2 — Long-term Equity Investments, CAS 9 — Employee Benefits, CAS 30 — Financial statement presentation, CAS 33 — Consolidated financial statements, CAS 39 — Determination of fail value, CAS 40 — Jointly Control Arrangement, CAS 37 — Presentation of financial instrument, CAS 41 — Disclosure of Interests in Other Entities, and The distinguish and relevant accounting treatment between financial liabilities and equity instruments. As the Company was arranging the listing to the Hong Kong Stock Exchange Main Board during the period, the Company adopted the accounting standards which released/revised before the financial reporting date since 1 January 2013 and changed/ adjusted the related accounts and amounts of the opening balance as well as MOF encourage oversea listing company to early adopt those standards.. In 2014, the Group adopted the latest released/ revised accounting standards which were not adopted by the year ended 31 December 2013. These accounting standards don't have material influence on the consolidated financial statements of the Group and the Company. These consolidated financial statements of the Group and the financial statements of the Company are prepared in accordance with all of the latest released/revised accounting standards (including the accounting policies and the notes to the consolidated financial statements of the Group and financial statements of the Company).

III. TAXATION

1. Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate
Value added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable.	Note(1)
Business tax	Based on taxable revenue	3-5%
City maintenance and construction tax	Based on business tax and VAT paid	5-7%
Education surcharges	Based on business tax and VAT paid	3-5%

(1) Besides the following tax preferential, the VAT rate applicable to the Group is 6%-17%.

Pursuant to Caishui No.54 [2001] and Guoshuihan No.862 [2001], the incomes from vehicle repairing service to entities under Ministry of Railway by CNR Qiqihar Rolling Stock Co., Ltd ("CNR Qiqihar"), CNR Taiyuan, CNR Tianjin, CNR Xi'an, CNR Shenyang Locomotive & Rolling Stock Co., Ltd. ("CNR Shenyang") are exempted from VAT.

Pursuant to Caishui No.100 [2011], Beijing Tsinghua Software Information Technology Co., Ltd ("THsoft InfoTech") is applicable to the VAT Policy of Both Refund upon Collection.

2. Income tax

Except for the following subsidiaries, CNR (Hong Kong) Corporation Ltd ("CNR Hong Kong"), CNR (Czech) Technology Development Co., Ltd ("CNR Czech"), CNR MA Corporation ("CNR MA") and CNR Rolling Stock South Africa Proprietary Limited ("CNR South Africa"), the applicable corporate income tax rate to the Company and other subsidiaries of the Group is 25%.

For the ten-month period ended 31 October 2014, and the years ended 31December 2013 and 2012, the material subsidiaries entitled to preferential tax rate as set forth below:

	Preferential tax rate			
	Ten months ended 31 October	**Years ended 31 December**		
Name of the subsidiaries	**2014**	**2013**	**2012**	**Reason**
CNR Qiqihar	15%	15%	15%	Hi-tech enterprise
CNR Changchun	15%	15%	15%	Hi-tech enterprise
CNR Tangshan	15%	15%	15%	Hi-tech enterprise
CNR Datong	15%	15%	15%	Hi-tech enterprise
Yongji Xinshisu	15%	15%	15%	Hi-tech enterprise
CNR Dalian Institute	15%	15%	15%	Hi-tech enterprise
CNR Qingdao Sifang	15%	15%	15%	Hi-tech enterprise
CNR Xi'an	15%	15%	15%	Located in western region
CNR Lanzhou	15%	15%	15%	Hi-tech enterprise/ Located in western region

	Preferential tax rate			
	Ten months ended 31 October	Years ended 31 December		
Name of the subsidiaries	2014	2013	2012	Reason
CNR Jinan	15%	15%	15%	Hi-tech enterprise
CNR Changchun Equipment	15%	15%	15%	Hi-tech enterprise
CNR Dalian	15%	15%	15%	Hi-tech enterprise
CNR Taiyuan	15%	15%	15%	Hi-tech enterprise
CNR Beijing Feb.7th	15%	15%	15%	Hi-tech enterprise
CNR Shenyang	15%	15%	15%	Hi-tech enterprise
CNR Tianjin	15%	15%	15%	Hi-tech enterprise
THsoft InfoTech *	25%	15%	15%	Hi-tech enterprise

**Note:* Since 2014, the applicable corporate income tax rate to THsoft InfoTech is 25%.

CNR Hong Kong is subject to profits tax in Hong Kong SAR, for the ten months ended 31 October 2014 and the years ended 31 December 2013 and 2012, the statutory rate is 16.5%.

CNR Czech is subject to income tax in Czech Republic, for the ten months ended 31 October 2014 and the years ended 31 December 2013 and 2012, the statutory rate is 19%.

CNR MA Corporation is entitled to corporate income tax in Massachusetts at the progressive tax rate of 15%-39%.

CNR South Africa is subject to income tax in the Republic of South Africa, and the statutory rate for the period from its foundation to 31 October 2014 is 28%.

Deduction of research and development expenses referred to in item (1) of Article 30 of the Corporate Income Tax Law shall mean that where an enterprise has incurred research and development expenses in the development of new technologies, new products and new processes but intangible assets are yet to be formed and included in the profit and loss for the current period, 50% of the research and development expenses shall be incrementally deducted on the basis of actual deduction pursuant to the provisions; where intangible assets are formed, amortization are calculated based on the 150% cost of these intangible assets.

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Background of major subsidiaries

(1) Subsidiaries acquired through establishment or investment

Unit: RMB'000

Full name	Type	Registration place	Business nature	Registered capital	Business scope	Period-end actual investment	Closing balance of other items that in substance form net investment in a subsidiary	Direct and indirect shareholding percentage (%)	Voting rights percentage (%)	Consolidated (Y/N)	Closing balance of non-controlling interests at the period end	Reversal of non-controlling profit/(loss) from non-controlling interest
Subsidiaries												
Beijing CNR Railway Transportation Equipment Co., Ltd. ("CNR CR") 北京北車中鐵軌道交通裝備有限公司	domestic non-financial subsidiary	Beijing	Manufacturing	20,000	import and export of goods and technologies; import and export agency service and franchise project	10,307	—	51.00%	51.00%	Yes	(91,745)	27,242
CNR (Hong Kong) Corporation Ltd. 北車(香港)有限公司	overseas non-financial subsidiary	Hong Kong	Manufacturing	30,715	development, manufacture, refurbishment of rolling stock, including high-speed MUs, locomotives, rapid transit vehicles, engineering machinery, electrical equipment, environmental protection equipments; equipment leasing	30,768	—	100.00%	100.00%	Yes	—	N/A
CNR Qiqihar Railway Rolling Stock Co., Ltd. 北車齊齊哈爾鐵路車輛有限責任公司	domestic non-financial subsidiary	Heilongjiang	Manufacturing	3,000,000	manufacture and refurbishment of railway transportation equipment and components	4,201,521	—	100.00%	100.00%	Yes	—	N/A

Full name	Type	Registration place	Business nature	Registered capital	Business scope	Period-end actual investment	Closing balance of other items that in substance form net investment in a subsidiary	Direct and indirect shareholding percentage (%)	Voting rights percentage (%)	Consolidated (Y/N)	Closing balance of non-controlling interests at the period end	Reversal of non-controlling profit/(loss) from non-controlling interest
Subsidiaries												
CNR Construction Engineering Co., Ltd ("CNR Construction and Engineering") 北車建設工程有限責任公司	domestic non-financial subsidiary	Beijing	Rail transit engineering	300,000	Engineering, Procurement and Construction; contracting; technology development, selling machinery equipment, construction materials; machinery equipment leasing; import and export of goods; Engineering survey and design; project management contracting	300,148	—	100.00%	100.00%	Yes	—	N/A
China CNR Finance Co., Ltd.* ("CNR Finance") 中國北車集團財務有限公司	domestic financial subsidiary	Beijing	Finance	1,200,000	providing finance consultancy, credit assurance, agency services; assistance in receiving and paying between member entities; approved insurance agency services	1,109,433	—	91.66%	91.66%	Yes	116,340	—
CNR Dalian Electric Traction R&D Center Co., Ltd ("Dalian Electric Traction") 北車大連電力牽引研發中心有限公司	domestic non-financial subsidiary	Dalian	Manufacturing	388,000	electric traction products; R&D, design, manufacture, and sales of converting technique products and network control products; technology consulting	378,454	—	100.00%	100.00%	Yes	—	N/A
CNR Southern Co., Ltd. 北車南方有限公司	domestic non-financial subsidiary	Shenzhen	Manufacturing	500,000	manufacture and refurbishment of locomotives and components	500,000	—	100.00%	100.00%	Yes	—	N/A
CNR MA Corporation (北車 (美國) 公司)	overseas non-financial subsidiary	Massachusetts	Manufacturing	USD500,000	technology service, technology consulting related to railway locomotives, project planning, project service, procurement, sales, leasing of railway locomotives and components	3,089	—	100.00%	100.00%	Yes	—	N/A

**Note:* On 8 April 2014, the Company acquired 8.33% interests of CNR Finance held by China CNR Corporation with a consideration of RMB109.43 million. Upon the completion of the transfer the interest percentage of CNR Finance held by the Company increased to 91.66%.

(2) Subsidiaries established through the equity contribution from CNRG

Unit: RMB'000

Full name	Type	Registration place	Business nature	Registered capital	Business scope	Period-end actual investment	Closing balance of other items that in substance form net investment in a subsidiary	Direct and indirect shareholding percentage (%)	Voting rights percentage (%)	Consolidated (Y/N)	Closing balance of non-controlling interests at the period end	Reversal of non-controlling profit/(loss) from non-controlling interest
Subsidiaries												
CNR Dalian Locomotive & Rolling Stock Co., Ltd. 中國北車集團大連機車車輛有限公司	domestic non-financial subsidiary	Dalian	Manufacturing	2,443,000	manufacture and refurbishment of locomotive, rolling stock and related components, technology consulting	3,664,932	—	100.00%	100.00%	Yes	—	N/A
Tangshan Railway Vehicle Co., Ltd. 唐山軌道客車有限責任公司	domestic non-financial subsidiary	Tangshan	Manufacturing	2,257,000	sales and lease of railway vehicles, electric MUs, DMUs, maglev train and related components; refurbishment of railway transportation equipment, railway locomotives	3,678,746	—	100.00%	100.00%	Yes	—	N/A
Tianjin JL Railway Transportation Equipment Co., Ltd. 天津機輛軌道交通裝備有限責任公司	domestic non-financial subsidiary	Tianjin	Manufacturing	166,000	manufacture and sales of railway transportation equipments, and components	285,717	—	100.00%	100.00%	Yes	—	N/A
Beijing Nankou Railway Transportation Co., Ltd. 北京南口軌道交通機械有限責任公司	domestic non-financial subsidiary	Beijing	Manufacturing	305,000	manufacture of locomotive components and refurbishment of machinery parts, sales of machinery equipments	682,396	—	100.00%	100.00%	Yes	—	N/A
Taiyuan Railway Transportation Equipment Co., Ltd. 太原軌道交通裝備有限責任公司	domestic non-financial subsidiary	Taiyuan	Manufacturing	327,000	manufacture and refurbishment of railway locomotives and related components	580,650	—	100.00%	100.00%	Yes	—	N/A

Full name	Type	Registration place	Business nature	Registered capital	Business scope	Period-end actual investment	Closing balance of other items that in substance form net investment in a subsidiary	Direct and indirect shareholding percentage (%)	Voting rights percentage (%)	Consolidated (Y/N)	Closing balance of non-controlling interests at the period end	Reversal of non-controlling profit/(loss) from non-controlling interest
Subsidiaries												
Yongji Xinshisu Electric Equipment Co., Ltd. 永濟新時速電機電器有限責任公司	domestic non-financial subsidiary	Yongji	Manufacturing	630,000	manufacture, sales and refurbishment of railway transit vehicles, products, electric machinery products, convertors, electric control devices	1,214,306	—	100.00%	100.00%	Yes	—	N/A
Jinan Railway Vehicle Equipment Co., Ltd. 濟南軌道交通裝備有限責任公司	domestic non-financial subsidiary	Jinan	Manufacturing	1,088,700	manufacture, refurbishment of locomotives, freight wagons and related components; and manufacture of pneumatic tools, welding and machinery processing	1,431,293	—	100.00%	100.00%	Yes	—	N/A
Xi'an Railway Vehicle Equipment Co., Ltd. 西安軌道交通裝備有限責任公司	domestic non-financial subsidiary	Xi'an	Manufacturing	610,000	manufacture, refurbishment of passenger coaches, freight wagons, containers and related components	845,183	—	100.00%	100.00%	Yes	—	N/A
CNR Lanzhou Locomotive Co., Ltd. 北車蘭州機車有限公司	domestic non-financial subsidiary	Lanzhou	Manufacturing	229,261	refurbishment of diesel locomotive and electric locomotive	293,334	—	100.00%	100.00%	Yes	—	N/A
CNR Dalian Locomotive Research Institute Co., Ltd. 中國北車集團大連機車研究所有限公司	domestic non-financial subsidiary	Dalian	Manufacturing	186,000	R&D and manufacture of locomotives, machinery and electronic devices	280,105	—	100.00%	100.00%	Yes	—	N/A
Qingdao Sifang Rolling Stock Research Institute Co., Ltd. 青島四方車輛研究所有限公司	domestic non-financial subsidiary	Qingdao	Manufacturing	606,000	R&D of vehicles, related components, vehicle equipment, railway and civil hi-technologies	953,621	—	100.00%	100.00%	Yes	—	N/A
CNR Import & Export Co., Ltd. 北車進出口有限公司	domestic non-financial subsidiary	Beijing	Import and export	100,000	sales of railway locomotives, vehicles, urban rail transit trains; "three-plus-one" trading-mix (custom manufacture with materials, designs or samples supplied and compensation trade)	48,368	—	100.00%	100.00%	Yes	—	N/A
Beijing Feb.7th Railway Transportation Equipment Co., Ltd. 北京二七軌道交通裝備有限責任公司	domestic non-financial subsidiary	Beijing	Manufacturing	396,000	design, manufacture, refurbishment and sales of railway and transportation equipments	785,465	—	100.00%	100.00%	Yes	—	N/A

Unit: RMB'000

Full name	Type	Registration place	Business nature	Registered capital	Business scope	Period-end actual investment	Closing balance of other items that in substance form net investment in a subsidiary	Direct and indirect shareholding percentage (%)	Voting rights percentage (%)	Consolidated (Y/N)	Closing balance of non-controlling interests at the period end	Reversal of non-controlling profit/(loss) from non-controlling interest
Subsidiaries												
CNR Datong Electric Locomotive Co., Ltd. 中國北車集團大同電力機車有限責任公司	domestic non-financial subsidiary	Datong	Manufacturing	656,000	manufacture and sales of locomotives and components, forgings, castings	1,060,591	—	100.00%	100.00%	Yes	—	N/A
Beijing CNR Logistics Development Co., Ltd. 北京北車物流發展有限責任公司	domestic non-financial subsidiary	Beijing	Service	300,000	cargo transportation and logistics services	310,149	—	100.00%	100.00%	Yes	—	N/A
Changchun Railway Vehicle Co., Ltd. 長春軌道客車股份有限公司	domestic non-financial subsidiary	Changchun	Manufacturing	5,807,947	R&D, design, experiment, manufacture and sales of railway passenger coaches, MUs, rail transit vehicles and related components, technical services, etc.	5,604,218	—	93.54%	93.54%	Yes	674,319	—

(3) Subsidiaries acquired through business combinations under common control

Unit: RMB'000

Full name	Type	Registration place	Business nature	Registered capital	Business scope	Period-end actual investment	Closing balance of other items that in substance form net investment in a subsidiary	Direct and indirect shareholding percentage (%)	Voting rights percentage (%)	Consolidated (Y/N)	Closing balance of non-controlling interests at the period end	Reversal of non-controlling profit/(loss) from non-controlling interest
Subsidiaries												
CNR Investment & Leasing Corp., Ltd. ("CNR Leasing") 北車投資租賃有限公司	domestic non-financial subsidiary	Beijing	Leasing	1,000,000	lease and sales of transportation vehicles, machinery equipments; property leasing; import and export; consulting service related to leasing	1,001,526	—	100.00%	100.00%	Yes	—	N/A
CNR Shenyang Locomotive & Rolling Stock Co., Ltd ("CNR Shenyang") 中國北車集團瀋陽機車車輛有限責任公司	domestic non-financial subsidiary	Shenyang	Manufacturing	951,532	manufacture and refurbishment of freight wagons; sales of locomotive components, steels and construction materials; import equipments, components and related technologies; machinery processing; equipment leasing; technology development and consulting services.	937,912	—	100.00%	100.00%	Yes	—	N/A

(4) Subsidiaries acquired through business combinations not under common control

Unit: RMB'000

Full name	Type	Registration place	Business nature	Registered capital	Business scope	Period-end actual investment	Closing balance of other items that in substance form net investment in a subsidiary	Direct and indirect shareholding percentage (%)	Voting rights percentage (%)	Consolidated (Y/N)	Closing balance of non-controlling interests at the period end	Reversal of non-controlling profit/(loss) from non-controlling interest
Subsidiaries												
Shanghai Railway Transportation Equipment Development Co., Ltd.("CNR Guifa") 上海軌道交通設備發展有限公司	domestic non-financial subsidiary	Shanghai	manufacturing	676,041	manufacture, sales and refurbishment of rail transit equipments, provide related service, technology development, consulting, enterprise investment, machinery electric equipment installation	470,430	—	51.00%	51.00%	Yes	484,974	—
Beijing Tsinghua Software Information Technology Co., Ltd ("THsoft InfoTech") 北京清軟英泰資訊技術有限公司	domestic non-financial subsidiary	Beijing	software	17,000	software development	29,770	—	51.00%	51.00%	Yes	18,396	—

2. Changes in the consolidation scope

For the ten months ended 31 October 2014 and the years ended 31 December 2013 and 2012, the changes in the consolidation scope are mainly due to the newly establishment and de-registration of subsidiaries, and the acquisition of subsidiaries via business combination under or not under common control, see Note IV, 3, 4 and 5 for details.

3. Subsidiaries that are newly consolidated and those that had ceased to be consolidated during the reporting period

(1) Subsidiaries newly consolidated during the period

Unit: RMB'000

Year/Period of consolidation	Name	Level	Judgment of control	Net assets at the year/ period end	Net profit/ (loss) of the year/period	Reason
2012	CNR Construction and Engineering Co., Ltd. (北車建設工程有限責任公司)	Level 2	shareholding	301,455	1,407	newly established
2012	Shenyang CNR Construction Engineering Co., Ltd. (瀋陽北車建設工程有限公司)	Level 3	shareholding	210,146	4,421	newly established
2012	Chongqing Sifang Rolling Stock Research Institute Science Co., Ltd. (重慶北車四方所科技有限公司)	Level 3	shareholding	18,326	(1,674)	newly established
2012	China CNR Finance Co., Ltd. (中國北車集團財務有限公司)	Level 2	shareholding	1,208,965	8,965	newly established
2012	Beijing Tsinghua Software Information Technology Co., Ltd. (北京清軟英泰資訊技術有限公司)	Level 2	shareholding	37,131	5,341	business combinations not under common control
2012	Qiqihar Railway Rolling Stock Co., Ltd. (北車齊齊哈爾鐵路車輛有限責任公司)	Level 2	shareholding	980,839	—	newly established
2012	Xi'an Yongdian Goldwind Sicence Technology Co., Ltd. (西安永電金風科技有限公司)	Level 3	shareholding	76,879	18,733	business combinations not under common control
2012	CNR (Czech) Technology Development Co., Ltd (北車 (捷克) 科技發展有限公司)	Level 3	shareholding	504	4	newly established
2013	CNR Datong Heavy Industry Co., Ltd (大同北車重工有限公司)	Level 3	shareholding	95,153	(4,847)	newly established

Year/Period of consolidation	Name	Level	Judgment of control	Net assets at the year/ period end	Net profit/ (loss) of the year/period	Reason
2013	CNR Wuhan Railway Transportation Equipment Co., Ltd (武漢北車長客軌道裝備有限公司)	Level 3	shareholding	175,625	(4,375)	newly established
2013	Jilin Hi-tech Electric Vehicle Co., Ltd. ("Jilin Hi-tech") (吉林省高新電動汽車有限公司，「吉林高新公司」)	Level 3	shareholding	12,285	(19,712)	business combinations not under common control
2013	CNR Beijing Heavy Machinery Science &Technology Co., Ltd (北京北車重型機械科技有限公司)	Level 3	shareholding	40,000	—	newly established
2013	CNR Changke & Beijing Feb 7th Railway Vehicle Equipment Co., Ltd. (北京北車長客二七軌道裝備有限公司)	Level 3	shareholding	10,000	—	newly established
2013	CNR Hefei Rolling Stock Co., Ltd. (合肥北車軌道裝備有限公司)	Level 3	shareholding	50,000	—	newly established
2013	Chongqing CNR Construction and Engineering Co., Ltd. (重慶北車建設工程有限公司)	Level 3	shareholding	99,979	(21)	newly established
Ten months ended 31 October 2014	CNR Southern Co., Ltd. (北車南方公司)	Level 2	shareholding	504,692	4,692	newly established
Ten months ended 31 October 2014	CNR MA Corporation (北車 (美國) 公司)	Level 2	shareholding	2,479	(595)	newly established
Ten months ended 31 October 2014	CNR Rolling Stock South Africa Proprietary Limited (北車南非公司)	Level 2	shareholding	(17,270)	(18,483)	newly established
Ten months ended 31 October 2014	CNR Nanchang Railway Transportation Equipment Co., Ltd. (南昌北車軌道裝備有限公司)	Level 3	shareholding	69,281	(719)	newly established
Ten months ended 31 October 2014	CNR Zhengzhou CNR Railway Transportation Equipment Co., Ltd. (鄭州北車軌道裝備有限公司)	Level 3	shareholding	40,434	434	newly established
Ten months ended 31 October 2014	Beijing TianLuLongXiang Transportation Equipment Co., Ltd. (北京天路龍翔交通裝備有限公司)	Level 3	shareholding	14,994	(6)	newly established
Ten months ended 31 October 2014	China Tramway Corp. 北車 (大連) 有軌電車系統有限公司	Level 3	shareholding	13,843	(6,154)	newly established

(2) Subsidiaries ceased to be consolidated during the reporting period

Name	Registration place	Business scope	The parent company	Proportion of ownership interest held by the parent company	Proportion of voting right held by the parent company	Reason
Changchun Railway Vehicle Casting and Forging Co., Ltd. (長春長客鑄鍛有限責任公司)	Changchun	manufacture and sales of rolling stock equipments and spare parts; related technology service	Changchun Railway Vehicle Co., Ltd.	100%	100%	De-registration in 2012
Qingdao Siyan Railway Electric Research Development Co., Ltd. (青島四研鐵路電氣研究開發有限公司)	Qingdao	R&D, manufacture, sales and experiment of electric technology and related high-tech products; technology services	Qingdao Sifang Rolling Stock Research Institute Co., Ltd.	100%	100%	De-registration in 2014
Shaanxi Huafu Science, industrial and trade Co., Ltd. (陝西華阜科工貿有限公司)	Xi'an	sales of chemical raw materials (except precursor chemicals and chemicals under regulation), lubricant grease, soda used for glass industry, construction materials, steels, concrete, machinery, electric appliance; sales of agricultural products (except grain wholesale); wholesale of methanol, fuel oil (flash point 23~61°C) , heavy oil, liquid alkali, amine benzene, alkenes (no storage facilities) (the expiration date of license for dangerous chemicals is 30 December 2015); sales of coals, cable wires, hardware fittings, valves, electric appliance, machinery equipments, daily goods; transportation agency service, railway information consulting	Xi'an Railway Vehicle Equipment Co., Ltd.	51%	51%	Sold in 2014

4. Business combination under common control during the reporting period

Unit: RMB'000

Investee	Judgment of business combination under common control	Ultimate holding company	Revenue from period the begining of consolidation date	Net loss from period the begining of consolidation date	Net cash flows from operating activities from period the begining of consolidation date
Operating business of CNR Xi'an Rolling Stock Works	CNR Xi'an and CNR Xi'an Rolling Stock Works are all controlled by the ultimate holding company CNRG, and the control is not temporary	CNRG	53,210	3,202	514

On 28 February 2013, CNR Xi'an, the subsidiary of the Company, entered into a business transfer agreement with CNR Xi'an Rolling Stock Works, the subsidiary of the ultimate holding company CNRG, pursuant to which CNR Xi'an agree to acquire an operating business, including inventories, fixed assets and intangible assets at the consideration of RMB132.19 million (RMB142.91 million including tax).

CNR Xi'an Rolling Stock Works is a company registered in Xi'an in 1998, with its headquarters located in Xi'an, and is engaged in manufacturing and repairing railway passenger coaches, freight wagons, containers, pressure vessel products and components; export of such products and related technologies; import of raw materials, machinery equipments, instruments and appliance, accessary parts, and technologies needed for production; and "three-plus-one" business.

As at the acquisition date, the details and amounts of aquisition operating assets as set forth below:

Unit: RMB'000

Item	Carrying amount on consolidation date
Inventories	61,163
Fixed assets	18,264
Intangible assets	29,405
Total	108,832

As at 1 January 2012, the net asset of CNR Xi'an Rolling Stock Works was amounted to RMB78.07 million, since 1 January 2012 to the acquisition date, theoperating loss incurred due to the combination was RMB6.35 million. Net liabilitiesthat were not included in the acquisition were stripped on 28 February 2013.

5. Business combinations not under common control during the reporting period

Unit: RMB'000

Investee	*Note*	Amount of goodwill	Calculation method for goodwill
THsoft InfoTech	(1)	13,557	The fair value of 51% of THsoft Info Tech' equity acquired by the Company was RMB16.21 million at the acquisition date. RMB13.56 million in the shortfall of the fair value below acquisition cost is recognised as goodwill.
Xi'an Goldwind	(2)	—	—
Jilin Hi-tech	(3)	—	—

(1) The Company entered into an equity transfer agreement with Tsinghua Holdings Co., Limited (清華控股有限公司), pursuant to which the Company agreed to acquire equity interest of THsoft Info Tech. On 13 January 2012, the Company acquired 51% equity interest of THsoft Info Tech at cash consideration of RMB29.77 million and THsoft Info Tech became the subsidiary of the Company.

THsoft Info Tech is a company registered in Beijing on 8 July 1998, with its headquarter located in Beijing Haidian District, and is engaged in technology development, consulting, transfer and service; computer technology training; basic software service; application software service; computer system service; data processing; technology import and export; cargo import and export; import and export agency service. Before the acquisition, THsoft Info Tech's parent company and its ultimate holding company was Tsinghua Holdings Co., Ltd.

The following table sets forth THsoft Info Tech's financial information from acquisition date to 31 December 2012:

Unit: RMB'000

Item	**From acquisition date to 31 Dec 2012**
Revenue	59,031
Net profit	5,341
Net cash flow generated from operating activities	6,696

As at acquisition date, the carrying amount of net identifiable assets of THsoft Info Tech was RMB19.88 million, and the fair value of its net identifiable assets was RMB31.79 million.

(2) On 31 October 2012, Yongji Xinshisu, the subsidiary of the Company, entered into an equity transfer agreement with Xinjiang Goldwind Science & Technology Co., Limited (新疆金風科技股份有限公司), pursuant to which Yongji Xinshisu agreed to acquire 80% equity interest of Xi'an Yongdian Goldwind Science & Technology Co., Ltd.("Xi'an Goldwind"), at a cash consideration of RMB67.12 million and Xi'an Goldwind became the subsidiary of Yongji Xinshisu.

Xi'an Goldwind is a company registered in Shanxi Province on 8 May 2008, with its headquarter located in Xi'an. Xi'an Goldwind is engaged in R&D, producing and selling wind turbine generator system; the design, installation, technology development, consulting service and technology transfer of wind turbine generator system. Before the acquisition, Xi'an Goldwind's parent company and its ultimate holding company was Xinjiang Goldwind Science&Technology Co., Ltd.

The following table sets forth Xi'an Goldwind's financial information from acquisition date to 31 December 2012:

Unit: RMB'000

Item	**From acquisition date to 31 Dec 2012**
Revenue	75,946
Net loss	(279)
Net cash flow generated from operating activities	2,791

As at acquisition date, the carrying amount of net identifiable assets of Xi'an Goldwind was RMB76.65 million, and the fair value of its net identifiable assets was RMB83.90 million.

(3) CNR Changchun entered into an equity transfer agreement with Changchun High-tech Investment Group Co., Limited (長春高新創業投資集團有限公司). On 22 April 2013, CNR Changchun held 51% equity interest of Jilin High-tech, at cash consideration of RMB65.98 million and Jilin High-tech became the subsidiary of CNR Changchun.

Jilin Hi-tech is engaged in selling automobiles (excluding sedans) and spare parts; R&D, manufacture and sales of engines, battery charging cabinets, and automobile leasing. Before the acquisition, Jilin Hi-tech's parent company and its ultimate holding company was Changchun Hi-tech Venture Investment Corporation Limited (長春高新創業投資集團有限公司).

The following table sets forth Jilin Hi-tech's financial information from acquisition date to 31 December 2013:

Unit: RMB'000

Item	From acquisition date to 31 Dec 2013
Revenue	2,687
Net loss	(19,712)
Net cash flow from operating activities	(20,829)

As at acquisition date, the carrying amount of net identifiable liabilities of Jilin Hi-tech was RMB2.05 million, the fair value of its net identifiable assets was RMB28.89 million and RMB51.25 million was recognized as other investment loss in the consolidated income statements.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and in hand

(1) Cash at bank and in hand by category

Unit: RMB'000

	As at 31 October 2014			As at 31 December 2013			As at 31 December 2012		
Item	**Original currency**	**Exchange rate**	**RMB**	**Original currency**	**Exchange rate**	**RMB**	**Original currency**	**Exchange rate**	**RMB**
Cash in hand:									
RMB	—	—	1,669	—	—	1,468	—	—	1,388
Other currency	—	—	11	—	—	6	—	—	—
Sub-total:	—	—	1,680	—	—	1,474	—	—	1,388
Cash at bank:									
RMB	—	—	4,743,534	—	—	7,206,438	—	—	8,332,507
USD	1,131,424	6.1461	6,953,846	153,023	6.0969	932,968	60,935	6.2855	383,005
HKD	1,836,117	0.7925	1,455,159	63,854	0.7862	50,204	14,304	0.8108	11,598
EUR	2,550	7.7377	19,735	6,315	8.4189	53,167	10,898	8.3176	90,644
JPY	24,588	0.0562	1,381	2,059	0.0578	119	21,575	0.0730	1,575
Other currency	—	—	396,667	—	—	2,695	—	—	548
Sub-total:	—	—	13,570,322	—	—	8,245,591	—	—	8,819,877
Other monetary funds:									
RMB	—	—	1,229,543	—	—	1,084,370	—	—	206,548
Others	—	—	556	—	—	611	—	—	—
Sub-total:	—	—	1,230,099	—	—	1,084,981	—	—	206,548
Total	—	—	14,802,101	—	—	9,332,046	—	—	9,027,813

As at 31 October 2014, 31 December 2013 and 31 December 2012, the Group had no cash at bank in hand pledged as liabilities or contingent liabilities. As at 31 October 2014, 31 December 2013 and 31 December 2013, cash at bank in hand kept overseas was equivalent to RMB2,739.98 million, RMB7.27 million and RMB4.82 million respectively.

(2) Others of cash at bank and in hand:

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Guarantee deposits	489,024	240,637	201,779
Housing maintenance funds	18,699	4,385	4,724
Bank draft deposits	—	—	25
Statutory deposit reserves with the People's Bank of China	719,360	803,959	—
Others	3,016	36,000	20
Total	1,230,099	1,084,981	206,548

2. Financial assets and liabilities measured at fair value through profit and loss

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Derivative financial assets	3,954	4,907	19,650
Derivative financial liabilities	819	1,201	9,267

As at 31 October 2014, 31 December 2013 and 31 December 2012, the Group had no restricted financial assets measured at fair value through profit and loss.

3. Bills receivable

(1) Bills receivable by category

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Bank acceptance bills	1,365,133	1,177,485	732,420
Commercial acceptance bills	559,077	356,815	156,910
Total	1,924,210	1,534,300	889,330

All of the above bills are due within one year.

As at 31 October 2014, 31 December 2013 and 31 December 2012, there were no bills receivable due from shareholders who hold 5% or more of the voting rights of the Company.

(2) The pledged bills receivable

As at 31 October 2014, the details of pledged bills receivable are set out as follows:

Unit: RMB'000

Issuer	Issuing date	Due date	Amount	*Note*
Company 1	2014/7/8	2015/3/16	152,000	Bank acceptance bills
Company 2	2014/8/27	2015/2/27	20,000	Bank acceptance bills
Company 3	2014/7/25	2015/1/25	1,500	Bank acceptance bills
Company 4	2014/8/8	2015/2/8	1,000	Bank acceptance bills
Total	—	—	174,500	—

As at 31 December 2013, the details of pledged bills receivable are set out as follows:

Unit: RMB'000

Issuer	**Issuing date**	**Due date**	**Amount**	*Note*
Company 1	2013/8/13	2014/3/13	73,000	Bank acceptance bills
Company 2	2013/12/12	2014/6/12	4,000	Bank acceptance bills
Company 3	2013/7/17	2014/1/17	500	Bank acceptance bills
Total	—	—	77,500	—

As at 31 December 2012, the details of pledged bills receivable were as follows:

Unit: RMB'000

Issuer	**Issuing date**	**Due date**	**Amount**	*Note*
Company 1	2012/11/14	2013/5/14	3,000	Bank acceptance bills
Company 2	2012/8/28	2013/2/28	10,000	Bank acceptance bills
Total	—	—	13,000	—

As at 31 October 2014, 31 December 2013 and 31 December 2012, the Group had no discounted undue commercial acceptance bills.

(3) As at 31 October 2014, 31 December 2013 and 31 December 2012, the Group had no bills transferred to accounts receivable due to non-performance of the issuers at the end of the year.

As at 31 October 2014, the five largest outstanding endorsed bills receivable that have not matured:

Unit: RMB'000

Issuer	**Issuing date**	**Due date**	**Amount**	*Note*
Company 1	2014/9/28	2015/3/28	60,900	Bank acceptance bills
Company 2	2014/7/21	2015/6/27	50,000	Bank acceptance bills
Company 3	2014/9/28	2015/3/28	41,600	Bank acceptance bills
Company 4	2014/7/21	2015/6/27	40,000	Bank acceptance bills
Company 5	2014/9/29	2015/1/29	33,000	Bank acceptance bills
Total	—	—	225,500	—

As at 31 December 2013, the five largest outstanding endorsed bills receivable that have not matured:

Unit: RMB'000

Issuer	**Issuing date**	**Due date**	**Amount**	*Note*
Company 1	2013/10/17	2014/4/17	60,000	Bank acceptance bills
Company 2	2013/9/29	2014/3/29	50,000	Bank acceptance bills
Company 3	2013/11/6	2014/5/6	46,845	Bank acceptance bills
Company 4	2013/11/6	2014/5/6	46,845	Bank acceptance bills
Company 5	2013/12/2	2014/3/2	36,270	Bank acceptance bills
Total	—	—	239,960	—

As at 31 December 2012, the five largest outstanding endorsed bills receivable that have not matured:

Unit: RMB'000

Issuer	**Issuing date**	**Due date**	**Amount**	*Note*
Company 1	2012/6/21	2013/12/24	680,579	Bank acceptance bills
Company 2	2012/7/24	2013/3/26	304,100	Bank acceptance bills
Company 3	2012/8/28	2013/6/13	208,052	Bank acceptance bills
Company 4	2012/7/5	2013/11/26	167,046	Bank acceptance bills
Company 5	2012/7/6	2013/6/12	99,130	Bank acceptance bills
Total	—	—	1,458,907	—

As at 31 October 2014, 31 December 2013 and 31 December 2012, there were no bills receivable due from shareholders who hold 5% or more of the voting rights of the Company in the balance of outstanding endorsed bills that have not matured.

(4) Please see Note VI.6 for the details of bills receivable attributable from related parties.

4. Accounts receivable

(1) Accounts receivable by customer type are as follows:

Unit: RMB'000

	As at 31 October 2014			As at 31 December 2013			As at 31 December 2012		
Item	**Original currency**	**Exchange rate**	**RMB**	**Original currency**	**Exchange rate**	**RMB**	**Original currency**	**Exchange rate**	**RMB**
Related parties:									
RMB	—	—	431,933	—	—	422,386	—	—	223,372
Third parties:									
RMB	—	—	42,047,247	—	—	29,448,025	—	—	19,740,327
USD	64,484	6.1461	396,326	206,856	6.0969	1,261,182	180,100	6.2855	1,132,020
EUR	30,193	7.7377	233,625	41,304	8.4189	347,737	139,909	8.3176	1,163,704
HKD	43,659	0.7925	34,600	1,062	0.7862	835	1,061	0.8108	860
Other currency	—	—	745	—	—	—	—	—	21
Sub-total	—	—	43,144,476	—	—	31,480,165	—	—	22,260,304
Less: Provision for bad and doubtful debts	—	—	1,714,507	—	—	1,095,199	—	—	446,823
Total	—	—	41,429,969	—	—	30,384,966	—	—	21,813,481

(2) The aging analysis of accounts receivable is set out as follows:

Unit: RMB'000

Aging	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Within 1 year (inclusive)	38,241,064	27,078,108	19,311,472
Over 1 year but within 2 years (inclusive)	2,477,256	3,002,886	2,298,658
Over 2 years but within 3 years (inclusive)	1,521,435	769,679	394,983
Over 3 years	904,721	629,492	255,191
Sub-total	43,144,476	31,480,165	22,260,304
Less: Provision for bad and doubtful debts	1,714,507	1,095,199	446,823
Total	41,429,969	30,384,966	21,813,481

The aging is counted starting from the date when accounts receivable are recognised.

(3) Accounts receivable by category

Unit: RMB'000

		As at 31 October 2014			
		Carrying amount		Provision for bad and doubtful debts	
Category	*Note*	Amount	Percentage *(%)*	Amount	Percentage *(%)*
Individually significant and assessed individually for impairment		—	—	—	—
Individually insignificant but assessed individually for impairment	(5)	1,654,139	3.83%	658,776	39.83%
Collectively assessed for impairment	(6)	41,490,337	96.17%	1,055,731	2.54%
Total		43,144,476	100.00%	1,714,507	3.97%

Unit: RMB'000

		As at 31 December 2013			
		Carrying amount		Provision for bad and doubtful debts	
Category	*Note*	**Amount**	**Percentage**	**Amount**	**Percentage**
			(%)		*(%)*
Individually significant and assessed individually for impairment	(4)	338,841	1.08%	121,226	35.78%
Individually insignificant but assessed individually for impairment	(5)	562,871	1.79%	304,804	54.15%
Collectively assessed for impairment	(6)	30,578,453	97.13%	669,169	2.19%
Total		31,480,165	100.00%	1,095,199	3.48%

Unit: RMB'000

		As at 31 December 2012			
		Carrying amount		Provision for bad and doubtful debts	
Category	*Note*	**Amount**	**Percentage**	**Amount**	**Percentage**
			(%)		*(%)*
Individually significant and assessed individually for impairment		—	—	—	—
Individually insignificant but assessed individually for impairment	(5)	22,112	0.10%	7,375	33.35%
Collectively assessed for impairment	(6)	22,238,192	99.90%	439,448	1.98%
Total		22,260,304	100.00%	446,823	2.01%

(4) Accounts receivable which are individually significant and assessed individually for impairment

Unit: RMB'000

As at 31 December 2013	Carrying amount	Provision for bad and doubtful debts	Percentage of provision	Rationale for provision
Company 1	338,841	121,226	35.78%	Certain risks existing in collecting the accounts receivable

(5) Accounts receivable which are individually insignificant but assessed individually for impairment

Unit: RMB'000

As at 31 October 2014	Carrying amount	Provision for bad and doubtful debts	Percentage of provision	Rationale for provision
Company 1	149,791	33,542	22.39%	Certain risks existing in collecting the accounts receivable
Company 2	116,397	93,118	80.00%	Certain risks existing in collecting the accounts receivable
Company 3	141,436	141,436	100.00%	Less likely to recover the accounts receivable
Company 4	27,354	6,636	24.26%	Certain risks existing in collecting the accounts receivable
Company 5	44,919	34,048	75.80%	Certain risks existing in collecting the accounts receivable
Company 6	25,562	12,855	50.29%	Certain risks existing in collecting the accounts receivable

As at 31 October 2014	Carrying amount	Provision for bad and doubtful debts	Percentage of provision	Rationale for provision
Company 7	4,517	131	2.90%	Certain risks existing in collecting the accounts receivable
Company 8	11,552	532	4.61%	Certain risks existing in collecting the accounts receivable
Company 9	114,416	10,036	8.77%	Certain risks existing in collecting the accounts receivable
Company 10	103,388	10,339	10.00%	Certain risks existing in collecting the accounts receivable
Company 11	85,708	10,195	11.90%	Certain risks existing in collecting the accounts receivable
Company 12	84,661	8,466	10.00%	Certain risks existing in collecting the accounts receivable
Company 13	77,884	63,405	81.41%	Certain risks existing in collecting the accounts receivable
Company 14	58,331	19,347	33.17%	Certain risks existing in collecting the accounts receivable
Company 15	48,508	12,889	26.57%	Certain risks existing in collecting the accounts receivable
Others	559,715	201,801	36.05%	Certain risks existing in collecting the accounts receivable
Total	1,654,139	658,776	—	—

Unit: RMB'000

As at 31 December 2013	Carrying amount	Provision for bad and doubtful debts	Percentage of provision	Rationale for provision
Company 1	162,640	37,426	23.01%	Certain risks existing in collecting the accounts receivable
Company 2	116,397	93,118	80.00%	Certain risks existing in collecting the accounts receivable
Company 3	88,397	88,397	100.00%	Less likely to recover the accounts receivable
Company 4	34,354	6,039	17.58%	Certain risks existing in collecting the accounts receivable
Company 5	32,394	32,394	100.00%	Less likely to recover the accounts receivable
Company 6	25,710	12,855	50.00%	Certain risks existing in collecting the accounts receivable
Company 7	24,979	1,707	6.83%	Certain risks existing in collecting the accounts receivable
Company 8	17,659	5,324	30.15%	Certain risks existing in collecting the accounts receivable
Others	60,341	27,544	45.65%	Certain risks existing in collecting the accounts receivable
Total	562,871	304,804	—	—

Unit: RMB'000

As at 31 December 2012	Carrying amount	Provision for bad and doubtful debts	Percentage of provision	Rationale for provision
Company 1	19,869	5,132	25.83%	Certain risks existing in collecting the accounts receivable
Others	2,243	2,243	100.00%	Less likely to recover the accounts receivable
Total	22,112	7,375	—	—

(6) Accounts receivable which are collectively assessed for impairment using the aging analysis method:

Unit: RMB'000

	As at 31 October 2014			As at 31 December 2013			As at 31 December 2012		
	Carrying amount		Provision for bad and doubtful debts	Carrying amount		Provision for bad and doubtful debts	Carrying amount		Provision for bad and doubtful debts
Aging	Amount	Percentage (%)		Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year (inclusive)	37,060,986	89.32%	—	26,671,111	87.22%	—	19,297,018	86.77%	—
Over 1 year but within 2 years (inclusive)	2,180,526	5.26%	214,319	2,802,183	9.16%	258,827	2,293,144	10.31%	188,969
Over 2 years but within 3 years (inclusive)	1,361,574	3.28%	273,046	711,721	2.33%	139,980	394,913	1.78%	69,829
Over 3 years but within 4 years (inclusive)	542,783	1.31%	267,344	217,099	0.71%	108,687	116,640	0.52%	56,089
Over 4 years but within 5 years (inclusive)	217,666	0.52%	174,220	73,443	0.24%	58,779	59,580	0.27%	47,664
Over 5 years	126,802	0.31%	126,802	102,896	0.34%	102,896	76,897	0.35%	76,897
Total	41,490,337	100.00%	1,055,731	30,578,453	100.00%	669,169	22,238,192	100.00%	439,448

The aging is counted starting from the date when accounts receivable are recognised.

(7) For the ten months ended 31 October 2014 and the years ended 31 December 2013 and 2012, there was no significant reversal or recovery of provision for bad and doubtful debts in the Group.

(8) For the ten months ended 31 October 2014 and the years ended 31 December 2013 and 2012, there was no significant accounts receivable written off in the Group.

(9) For the ten months ended 31 October 2014, three subsidiaries of the Group entered into accounts receivables transfer agreements with banks, pursuant to which the subsidiaries agreed to transfer the accounts receivables amounting to RMB11.02 billion to the banks. According to the relevant terms of the agreement signed respectively between the subsidiaries and the banks, the banks would waive all their rights of recourse over the subsidiaries and discharge the obligation of accounts receivable directly to obligor since the date of transfer (i.e the day when the bank actually paid the transfer price to the subsidiaries). As at 31 October 2014, the consolidated financial statement of Group does not include the outstanding part of relevant transferred accounts receivable amounting to RMB8.82 billion. For the 10 months ended 31 October 2014, the amount of relevant expense incurred for transferring accounts receivables was recognized in profit or loss amounted to RMB171.40 million.

For the year ended 31 December 2013, eight subsidiaries of the Group entered into accounts receivables transfer agreements with banks, pursuant to which the subsidiaries agreed to transfer the accounts receivables amounting to RMB9.10 billion to the banks. According to the relevant terms of the agreement signed respectively between the subsidiaries and the banks, the banks would waive all their rights of recourse over the subsidiaries and discharge the obligation of accounts receivable directly to obligor since the date of transfer (i.e. the day when the bank actually paid the transfer price to the subsidiaries). As at 31 December 2013, the consolidated financial statement of Group does not include the outstanding part of relevant transferred accounts receivable amounting to RMB9.10 billion. For the 12 months ended 31 December 2013, the amount of relevant expense incurred for transferring accounts receivables was recognized in profit or loss amounted to RMB165.43 million.

For the year ended 31 December 2012, six subsidiaries of the Group entered into accounts receivables transfer agreements with banks, pursuant to which the subsidiaries agreed to transfer the accounts receivables amounting to RMB3.99 billion to the banks. According to the relevant terms of the agreement signed respectively between the subsidiaries and the banks, the banks would waive all their rights of recourse over the subsidiaries and discharge the obligation of accounts receivable directly to obligor since the date of transfer (i.e. the day when the bank actually paid the transfer price to the subsidiaries). As at 31 December 2013, the consolidated financial statement of Group does not include the outstanding part of relevant transferred accounts receivable amounting to RMB606.10 million. For the 12 months ended 31 December 2012, the amount of relevant expense incurred for transferring accounts receivables was recognized in profit or loss amounted to RMB40.55 million.

(10) Please see Note VI.6 for the details of accounts receivable attributable from related parties.

(11) Five largest accounts receivable

As at 31 October 2014, the five largest accounts receivable are set out as follows:

Unit: RMB'000

Debtor	**Relationship with the Group**	**Amount**	**Aging**	**Percentage of total accounts receivable** *(%)*
Company 1	Third party	23,261,968	Within 5 years	53.92%
Company 2	Third party	1,777,941	Within 2 years	4.12%
Company 3	Third party	1,019,691	Within 2 years	2.36%
Company 4	Third party	1,147,690	Within 3 years	2.66%
Company 5	Third party	747,217	Within 2 years	1.73%
Total	—	27,954,507	—	64.79%

As at 31 December 2013, the five largest accounts receivable are set out as follows:

Unit: RMB'000

Debtor	Relationship with the Group	Amount	Aging	Percentage of total accounts receivable *(%)*
Company 1	Third party	14,908,121	Within 5 years	47.36%
Company 2	Third party	1,792,316	Within 1 year	5.69%
Company 3	Third party	1,001,871	Within 1 year	3.18%
Company 4	Third party	707,081	Within 2 years	2.25%
Company 5	Third party	649,182	Within 2 years	2.06%
Total	—	19,058,571	—	60.54%

As at 31 December 2012, the five largest accounts receivable are set out as follows:

Unit: RMB'000

Debtor	Relationship with the Group	Amount	Aging	Percentage of total accounts receivable *(%)*
Company 1	Third party	8,141,982	Within 5 years	36.55%
Company 2	Third party	941,861	Within 5 years	4.23%
Company 3	Third party	833,452	Within 2 years	3.74%
Company 4	Third party	813,465	Within 1 year	3.65%
Company 5	Third party	557,895	Within 5 years	2.50%
Total	—	11,288,655	—	50.67%

(12) As at 31 October 2014, 31 December 2013 and 31 December 2012, there were no accounts receivable due from shareholders who hold 5% or more of the voting rights of the Company.

(13) Please see Note VI.6 for the details of accounts receivable attributable from related parties.

5. Other receivables

(1) Other receivables by customer type:

Unit: RMB'000

Customer type	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Related parties	10,056	8,061	3,402
Third parties	1,931,950	1,712,018	982,480
Sub-total	1,942,006	1,720,079	985,882
Less: Provision for bad and doubtful debts	277,471	275,826	59,875
Total	1,664,535	1,444,253	926,007

(2) The aging analysis of other receivables is as follows:

Unit: RMB'000

Aging	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Within 1 year (inclusive)	1,338,456	1,149,802	753,970
Over 1 year but within 2 years (inclusive)	319,681	292,007	100,200
Over 2 years but within 3 years (inclusive)	56,858	63,701	92,331
Over 3 years	227,011	214,569	39,381
Sub-total	1,942,006	1,720,079	985,882
Less: Provision for bad and doubtful debts	277,471	275,826	59,875
Total	1,664,535	1,444,253	926,007

In 2013, the Company's subsidiary — CNR Leasing transferred RMB160.00 million from prepayments to other receivables which aging more than three years as a result of the termination of purchase contracts.

The aging is counted starting from the date when accounts receivable are recognised.

(3) Other receivables by category:

Unit: RMB'000

		As at 31 October 2014			
		Carrying amount		Provision for bad and doubtful debts	
Category	*Note*	**Amount**	**Percentage** *(%)*	**Amount**	**Percentage** *(%)*
Individually significant and assessed individually for impairment	(4)	620,015	31.93%	203,392	32.80%
Individually insignificant but assessed individually for impairment		4,963	0.26%	4,755	95.81%
Collectively assessed for impairment	(5)	1,317,028	67.81%	69,324	5.26%
Total		1,942,006	100.00%	277,471	14.29%

Unit: RMB'000

		As at 31 December 2013			
		Carrying amount		Provision for bad and doubtful debts	
Category	*Note*	**Amount**	**Percentage** (%)	**Amount**	**Percentage** (%)
Individually significant and assessed individually for impairment	(4)	706,603	41.08%	202,818	28.70%
Individually insignificant but assessed individually for impairment		4,933	0.29%	4,845	98.22%
Collectively assessed for impairment	(5)	1,008,543	58.63%	68,163	6.76%
Total		1,720,079	100.00%	275,826	16.04%

Unit: RMB'000

		As at 31 December 2012			
		Carrying amount		Provision for bad and doubtful debts	
Category	*Note*	**Amount**	**Percentage** *(%)*	**Amount**	**Percentage** *(%)*
Individually significant and assessed individually for impairment	(4)	142,461	14.45%	2,753	1.93%
Individually insignificant but assessed individually for impairment		4,192	0.43%	4,192	100.00%
Collectively assessed for impairment	(5)	839,229	85.12%	52,930	6.31%
Total		985,882	100.00%	59,875	6.07%

(4) Other receivables which are individually significant and assessed individually for impairment

Unit: RMB'000

As at 31 October 2014	**Carrying amount**	**Provision for bad and doubtful debts**	**Percentage of provision**	**Rationale for provision**
Company 1	235,086	76,504	32.54%	Certain risks existing in collecting the other receivable
Company 2	160,000	86,632	54.15%	Certain risks existing in collecting the other receivable
Company 3	114,811	28,673	24.97%	Certain risks existing in collecting the other receivable
Company 4	60,264	1,351	2.24%	Part of other receivables are less likely to recover
Company 5	49,854	10,232	20.52%	Certain risks existing in collecting the other receivable
Total	620,015	203,392	—	—

Unit: RMB'000

As at 31 December 2013	Carrying amount	Provision for bad and doubtful debts	Percentage of provision	Rationale for provision
Company 1	318,147	76,504	24.05%	Certain risks existing in collecting the other receivable
Company 2	160,000	86,632	54.15%	Certain risks existing in collecting the other receivable
Company 3	113,681	28,673	25.22%	Certain risks existing in collecting the other receivable
Company 4	64,921	777	1.20%	Part of other receivables are less likely to recover
Company 5	49,854	10,232	20.52%	Certain risks existing in collecting the other receivable
Total	706,603	202,818	—	—

Unit: RMB'000

As at 31 December 2012	Carrying amount	Provision for bad and doubtful debts	Percentage of provision	Rationale for provision
Company 1	142,461	2,753	1.93%	Part of other receivables are less likely to recover the other receivable

(5) Other receivables which are collectively assessed for impairment using the aging analysis method

Unit: RMB'000

	As at 31 October 2014			As at 31 December 2013			As at 31 December 2012		
	Carrying amount		Provision for bad and doubtful	Carrying amount		Provision for bad and doubtful	Carrying amount		Provision for bad and doubtful
Aging	Amount	Percentage (%)	debts	Amount	Percentage (%)	debts	Amount	Percentage (%)	debts
Within 1 year (inclusive)	987,325	74.96%	—	672,191	66.65%	—	739,253	88.09%	—
Over 1 year but within 2 years (inclusive)	262,972	19.97%	26,168	280,429	27.81%	26,933	42,131	5.02%	16,593
Over 2 years but within 3 years (inclusive)	17,997	1.37%	1,795	6,189	0.61%	1,058	22,655	2.70%	5,219
Over 3 years but within 4 years (inclusive)	13,052	0.99%	6,490	17,226	1.71%	7,893	3,298	0.39%	540
Over 4 years but within 5 years (inclusive)	4,052	0.31%	3,241	956	0.09%	765	6,102	0.73%	4,869
Over 5 years	31,630	2.40%	31,630	31,552	3.13%	31,514	25,790	3.07%	25,709
Total	1,317,028	100.00%	69,324	1,008,543	100.00%	68,163	839,229	100.00%	52,930

(6) For the ten months ended 31 October 2014 and the years ended 31 December 2013 and 2012, there was no significant reversal of provision for bad and doubtful debts in the Group.

(7) For the ten months ended 31 October 2014 and the years ended 31 December 2013 and 2012, there was no significant other receivables written off in the Group.

(8) Five largest other receivables

As at 31 October 2014, the five largest other receivables are set out as follows:

Unit: RMB'000

Debtor	Relationship with the Group	Amount	Aging	Percentage of total other receivables *(%)*
Company 1	Third party	250,000	Within 2 years	12.87%
Company 2	Third party	236,708	Within 1 year	12.19%
Company 3	Third party	235,086	Within 1 year	12.11%
Company 4	Third party	160,000	Within 5 years	8.24%
Company 5	Third party	114,811	Within 1 year	5.91%
Total	—	996,605	—	51.32%

As at 31 December 2013, the five largest other receivables are set out as follows:

Unit: RMB'000

Debtor	Relationship with the Group	Amount	Aging	Percentage of total other receivables *(%)*
Company 1	Third party	318,147	Within 1 year	18.50%
Company 2	Third party	250,000	Within 2 years	14.53%
Company 3	Third party	174,606	Within 1 year	10.15%
Company 4	Third party	160,000	Within 5 years	9.30%
Company 5	Third party	113,681	Within 1 year	6.61%
Total	—	1,016,434	—	59.09%

As at 31 December 2012, the five largest other receivables are set out as follows:

Unit: RMB'000

Debtor	Relationship with the Group	Amount	Aging	Percentage of total other receivables *(%)*
Company 1	Third party	250,000	Within 1 year	25.36%
Company 2	Third party	142,461	Within 3 years	14.45%
Company 3	Third party	58,549	Within 1 year	5.94%
Company 4	Third party	28,661	Within 1 year	2.91%
Company 5	Third party	13,018	Within 1 year	1.32%
Total	—	492,689	—	49.98%

(9) As at 31 October 2014, 31 December 2013 and 31 December 2012, there were no other receivables due from shareholders who hold 5% or more of the voting rights of the Group.

(10) Please see Note VI.6 for the details of other receivables attributable from related parties.

6. Prepayments

(1) Prepayments by category:

Unit: RMB'000

Item	As at 31 October 2014			As at 31 December 2013			As at 31 December 2012		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Related parties									
RMB	—	—	47,867	—	—	14,120	—	—	24,712
Third parties									
RMB	—	—	5,527,168	—	—	4,383,264	—	—	4,308,539
USD	1,980	6.1808	12,238	24,890	6.3405	157,814	61,698	6.3403	391,186
HKD	2,062	0.7910	1,631	17,845	0.7947	14,181	3,161	0.8115	2,565
EUR	55,091	8.1671	449,933	36,750	8.2480	303,112	52,387	8.2808	433,807
JPY	171,065	0.0583	9,974	4,196	0.0605	254	3,646,476	0.0801	292,003
Other currency	—	—	125,022	—	—	2,515	—	—	356
Sub-total	—	—	6,173,833	—	—	4.875,260	—	—	5,453,168
Less: Provision for impairment	—	—	185,979	—	—	58,631	—	—	40,306
Total	—	—	5,987,854	—	—	4,816,629	—	—	5,412,862

(2) The aging analysis of prepayments is as follows:

Unit: RMB'000

Aging	As at 31 October 2014		As at 31 December 2013		As at 31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	5,593,486	90.60%	4,575,627	93.85%	4,818,011	88.35%
Over 1 year but within 2 years (inclusive)	446,943	7.24%	178,305	3.66%	315,184	5.78%
Over 2 years but within 3 years (inclusive)	38,410	0.62%	36,230	0.74%	200,098	3.67%
Over 3 years	94,994	1.54%	85,098	1.75%	119,875	2.20%
Sub-total	6,173,833	100.00%	4,875,260	100.00%	5,453,168	100.00%
Less: Provision for impairment	185,979	—	58,631	—	40,306	—
Total	5,987,854	—	4,816,629	—	5,412,862	—

The aging analysis of prepayments of the Group, based on date of prepayment.

The prepayments with aging over one year is mainly due to the affect of production plan, leading to the timing difference of contracts and actual executions, therefore prepayments are needed ahead of time for product supplying. As at the balance sheet date, the contract is still in the execution accordingly.

(3) Five largest prepayments

As at 31 October 2014, the five largest prepayments are set out as follows:

Unit: RMB'000

Debtor	**Relationship with the Group**	**Amount**	**Percentage of total prepayments** *(%)*	**Date of prepayment**
Company 1	Third party	418,950	6.79%	Within 1 year
Company 2	Third party	322,499	5.22%	Within 2 years
Company 3	Third party	205,853	3.33%	Within 1 year
Company 4	Third party	181,967	2.95%	Within 1 year
Company 5	Third party	174,461	2.83%	Within 1 year
Total	—	1,303,730	21.12%	—

As at 31 December 2013, the five largest prepayments are set out as follows:

Unit: RMB'000

Debtor	Relationship with the Group	Amount	Percentage of total prepayments (%)	Date of prepayment
Company 1	Third party	761,780	15.63%	Within 1 year
Company 2	Third party	322,403	6.61%	Within 1 year
Company 3	Third party	318,147	6.53%	Within 1 year
Company 4	Third party	188,710	3.87%	Within 1 year
Company 5	Third party	170,469	3.50%	Within 1 year
Total	—	1,761,509	36.14%	—

As at 31 December 2012, the five largest prepayments are set out as follows:

Unit: RMB'000

Debtor	Relationship with the Group	Amount	Percentage of total prepayments (%)	Date of prepayment
Company 1	Third party	747,329	13.70%	Within 1 year
Company 2	Third party	286,936	5.26%	Within 1 year
Company 3	Third party	283,000	5.19%	Within 1 year
Company 4	Third party	275,803	5.06%	Within 1 year
Company 5	Third party	190,000	3.48%	Within 1 year
Total	—	1,783,068	32.69%	—

(4) As at 31 October 2014, 31 December 2013 and 31 December 2012, there were no significant prepayments due from shareholders who hold 5% or more of the voting rights of the Company.

(5) Please see Note VI.6 for the details of prepayments to related parties.

7. Inventories

(1) Inventories by category

Unit: RMB'000

	31 October 2014		
Item	**Book value**	**Write down of inventories**	**Carrying amount**
Raw materials	11,880,318	39,350	11,840,968
Work in progress	18,901,654	257,868	18,643,786
Finished goods	2,234,044	145,951	2,088,093
Goods in transit	1,069,142	—	1,069,142
Low value consumables	46,528	942	45,586
Work in progress-outsourced	82,850	—	82,850
Packing materials	832	14	818
Others	29,516	—	29,516
Total	34,244,884	444,125	33,800,759

Unit: RMB'000

	31 December 2013		
Item	**Book value**	**Write down of inventories**	**Carrying amount**
Raw materials	7,554,706	39,898	7,514,808
Work in progress	9,337,728	237,970	9,099,758
Finished goods	2,096,880	149,457	1,947,423
Low value consumables	27,862	942	26,920
Work in progress-outsourced	45,729	—	45,729
Packing materials	1,360	14	1,346
Others	4,174	—	4,174
Total	19,068,439	428,281	18,640,158

Unit: RMB'000

Item	31 December 2012 Book value	Write down of inventories	Carrying amount
Raw materials	8,361,487	43,596	8,317,891
Work in progress	14,183,991	244,025	13,939,966
Finished goods	2,420,990	73,823	2,347,167
Low value consumables	27,319	944	26,375
Work in progress-outsourced	81,437	—	81,437
Packing materials	1,372	14	1,358
Others	12,291	87	12,204
Total	25,088,887	362,489	24,726,398

As at 31 October 2014, 31 December 2013 and 31 December 2012, there was no material inventories pledged as securities by the Group.

As at 31 October 2014, 31 December 2013 and 31 December 2012, please see Note V.19 (1) for the details of inventories with restricted ownership.

(2) Write down of inventories

Unit: RMB'000

Item	Raw materials	Work in progress	Finished goods	Low value consumables	Packing materials	Others	Total
Balance at 1 January 2012	45,487	236,938	66,951	944	14	629	350,963
Charge for the year	4,938	85,618	11,091	—	—	—	101,647
Reversal	537	—	—	—	—	—	537
Write-off	6,292	78,531	4,219	—	—	542	89,584
Balance at 31 December 2012	43,596	244,025	73,823	944	14	87	362,489
Transfer	—	8,201	—	—	—	—	8,201
Charge for the year	4,322	62,695	81,669	—	—	—	148,686
Reversal	426	—	—	—	—	—	426
Write-off	7,594	75,410	6,035	2	—	87	89,128
Other reduction	—	1,541	—	—	—	—	1,541
Balance at 31 December 2013	39,898	237,970	149,457	942	14	—	428,281
Transfer	—	156,833	—	—	—	—	156,833
Charge for the period	—	1,986	26,615	—	—	—	28,601
Write-off	548	138,921	30,121	—	—	—	169,590
Balance at 31 October 2014	39,350	257,868	145,951	942	14	—	444,125

Write down of inventories is mainly for outdated materials, work in progress and finished goods with comparatively long stock time.

8. Other current assets

Other current assets of the Group mainly represent the balance of actual income tax billed over the payable tax calculated based on tax law and value added tax to be deducted.

9. Available-for-sale financial assets

Unit: RMB'000

	As at 31 October 2014		As at 31 December 2013		As at 31 December 2012	
Item	**Original currency**	**RMB**	**Original currency**	**RMB**	**Original currency**	**RMB**
Listed equity investment						
— RMB	—	68,018	—	55,807	—	60,575
— HKD	43,519	34,490	44,546	35,022	22,527	18,267
Unlisted equity investment	—	41,794	—	67,994	—	68,548
Sub-total	—	144,302	—	158,823	—	147,390
Less: Provision for impairment	—	24,727	—	24,727	—	—
Total	—	119,575	—	134,096	—	147,390

Based on the requirements of *CAS 2 — Long-term Equity Investment* (2014 revised), the investments where Group does not have control, joint control or significant influence over the investee, nor the investments are not quoted in an active market and their fair value cannot be reliably measured are reclassified from long-term equity investment to available-for-sale financial assets, and the items in the comparative statements are adjusted accordingly.

As at 31 October 2014, and 31 December 2013 and 2012, the Group had equity investment in Zhuzhou Times New Material Technology Co., Ltd. ("Times New Materials") (株洲時代新材料科技股份有限公司), Sun King Electronics Group Limited (賽晶電力電子集團有限公司) and Beijing Jiufeng Science and Technology Development Co., Ltd. (北京鷲峰科技股份有限公司). The shares of these three companies are traded on the Shanghai Stock Exchange, Hong Kong Stock Exchange and the National SME Share Transfer System respectively. As the shares are quoted in active markets, the fair value can be measured reliably. The above equity investments of the Company are measured at fair value.

As at 31 October 2014, 31 December 2013 and 31 December 2012, the Group did not have any shares of any companies that were still restricted from trading.

10. Long-term receivables

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Finance leases	6,106,998	5,837,420	3,537,444
Including: Unearned finance income	1,639,593	1,235,050	742,137
Receivables from sale of goods by installments	1,178,220	1,088,926	12,914
Construction receivables	4,769,930	4,443,657	1,646,948
Sub-total	12,055,148	11,370,003	5,197,306
Less: Provision for bad and doubtful debts	12,125	61,601	1,655
Total	12,043,023	11,308,402	5,195,651
Less: Long-term receivables due in one year	4,713,862	4,239,021	1,040,256
Long-term receivables	7,329,161	7,069,381	4,155,395

As at 31 October 2014, 31 December 2013 and 31 December 2012, long-term receivables due within one year are stated as non-current assets due within one year.

The total future minimum lease receipts under finance leases which are based on contractual cash flows (including interest computed using contractual rates or, if floating, based on the current rates at the balance sheet date) after the balance sheet date are as follows:

Unit: RMB'000

Minimum lease receipts	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Within 1 year (inclusive)	2,515,402	2,072,873	1,352,972
Over 1 year but within 2 years (inclusive)	2,003,115	1,920,580	1,146,626
Over 2 years but within 3 years (inclusive)	1,454,835	1,448,206	794,334
Over 3 years	1,773,239	1,630,811	985,649
Sub-total	7,746,591	7,072,470	4,279,581
Less: Unearned finance income	1,639,593	1,235,050	742,137
Total	6,106,998	5,837,420	3,537,444

11. Long-term equity investments

(1) Long-term equity investments by category

Unit: RMB'000

Item	*Note*	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Investments in joint ventures	(2)	1,101,061	944,177	783,053
Investments in associates	(3)	1,051,360	1,040,052	1,004,864
Sub-total		2,152,421	1,984,229	1,787,917
Less: Provision for impairment		—	—	—
Total		2,152,421	1,984,229	1,787,917

(2) *Investments in joint ventures are as follows:*

Unit: RMB'000

Investee	Investment cost	Balance at 1 January 2014	Increase/ (decrease)	Balance at 31 October 2014	Proportion of the ownership interest held by the Group	Proportion of the voting rights held by the Group	Cash dividends declared
Equity method—Joint ventures							
Changchun Bombardier Railway Vehicles Co., Ltd.("Changchun Bombardier") 長春長客— 龐巴迪軌道車輛有限公司 ("長客龐巴迪")	83,492	159,376	6,174	165,550	50.00%	50.00%	—
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd. ("Shenyang CNR Wabtec") 瀋陽北車西屋軌道制動技術有限公司 ("沈車西屋")	69,000	71,978	(4,008)	67,970	50.00%	50.00%	—
Dalian Toshiba Locomotive Electric Equipment Co., Ltd.("Dalian Toshiba") 大連東芝機車電氣設備有限公司 ("大連東芝")	30,358	243,244	75,218	318,462	50.00%	50.00%	41,301
Hitachi Yonge Electric Equipment Co., Ltd.("Hitachi Yonge") 日立永濟電氣(西安)設備公司 ("日立永濟")	124,440	352,564	62,189	414,753	50.00%	50.00%	15,500
Qingdao FAIVELEY SRI Rail Brake Co., Ltd.(Co., Ltd. ("FAIVELEY SRI Rail") 青島四方法維萊軌道制動有限公司 ("四方法維萊")	15,000	95,517	(8,275)	87,242	50.00%	50.00%	20,000

Unit: RMB'000

Investee	Investment cost	Balance at 1 January 2014	Increase/ (decrease)	Balance at 31 October 2014	Proportion of the ownership interest held by the Group	Proportion of the voting rights held by the Group	Cash dividends declared
Changchun Diandi Int'l Industrial Co., Ltd.("Changchun Diandi") 長春帝安帝國際實業有限責任公司 ("長春帝安帝")	3,783	16,479	1,235	17,714	50.00%	50.00%	—
Beijing Danobat CNR Feb. 7th Machine Tools Manufacturing Co., Ltd. ("Danobat Feb. 7th") 北京北車二七達諾巴特機床製造有限公司 ("二七達諾巴特")	5,010	5,019	(806)	4,213	50.10%	50.00%	—
Shenton CNR (Shanghai) Rail Transit Vehicles Maitenance.("Shenton CNR") (申通北車 (上海) 軌道交通車輛維修) ("申通北車")	20,000	—	15,157	15,157	50.00%	50.00%	—
Shenzhen CNR Railway Vehicles Co., Ltd.("Shenzhen CNR") 深圳北車軌道車輛有限公司("深圳北車")	10,000	—	10,000	10,000	50.00%	50.00%	—
Total	361,083	944,177	156,884	1,101,061	—	—	76,801

Unit: RMB'000

Investee	Investment cost	Balance at 1 January 2013	Increase/ (decrease)	Balance at 31 December 2013	Proportion of the ownership interest held by the Group	Proportion of the voting rights held by the Group	Cash dividends declared
Equity method — Joint ventures							
Changchun Bombardier 長客龐巴迪	83,492	155,036	4,340	159,376	50.00%	50.00%	—
Shenyang CNR Wabtec 沈車西屋	69,000	74,935	(2,957)	71,978	50.00%	50.00%	—
Dalian Toshiba 大連東芝	30,358	199,904	43,340	243,244	50.00%	50.00%	27,167
Hitachi Yonge 日立永濟	124,440	255,855	96,709	352,564	50.00%	50.00%	6,180
FAIVELEY SRI Rail 四方法維萊	15,000	81,629	13,888	95,517	50.00%	50.00%	—
Changchun Diandi 長春帝安帝	3,783	15,289	1,190	16,479	50.00%	50.00%	—
CNRCarGo	—	405	(405)	—	—	—	—
Danobat Feb. 7th 二七達諾巴特	5,010	—	5,019	5,019	50.10%	50.00%	—
Total	331,083	783,053	161,124	944,177	—	—	33,347

Unit: RMB'000

Investee	Investment cost	Balance at 1 January 2012	Increase/ (decrease)	Balance at 31 December 2012	Proportion of the ownership interest held by the Group	Proportion of the voting rights held by the Group	Cash dividends declared
Equity method — Joint ventures							
Changchun Bombardier 長客龐巴迪	83,492	153,869	1,167	155,036	50.00%	50.00%	—
Shenyang CNR Wabtec 沈車西屋	69,000	77,798	(2,863)	74,935	50.00%	50.00%	—
Dalian Toshiba 大連東芝	30,358	186,248	13,656	199,904	50.00%	50.00%	28,920
Hitachi Yonge 日立永濟	124,440	212,056	43,799	255,855	50.00%	50.00%	—
FAIVELEY SRI Rail 四方法維萊	15,000	58,283	23,346	81,629	50.00%	50.00%	—
Changchun Diandi 長春帝安帝	3,783	14,421	868	15,289	50.00%	50.00%	—
CNRCarGo	2,184	356	49	405	50.00%	50.00%	—
Total	328,257	703,031	80,022	783,053	—	—	28,920

Summarized information of the Group's major joint ventures:

Joint ventures	Place of incorporation	Registration place	Proportion of ownership interest held by the Group	Business scope
Changchun Bombardier 長客龐巴迪	Changchun Jilin	Changchun Jilin	50.00%	Design, manufacture and selling of metro vehicles, LRV, commuter trail (dedicated for rail) and corresponding components, relevant technical service, agent for import formalities relating to components and parts of domestic made products.
Shenyang CNR Wabtec 沈車西屋	Shenyang Liaoning	Shenyang Liaoning	50.00%	Design and manufacture of the braking system, fittings, testing equipments and electronic mechanical products of railway rolling stock and urban railway vehicles, the maintenance and technical service of relevant products.
Dalian Toshiba 大連東芝	Dalian Liaoning	Dalian Liaoning	50.00%	Manufacture and maintenance of railway rolling stock (electric and diesel locomotive), major converter's auxiliary current device for traction purpose, monitoring system, carriage information system and relevant electrical equipments of urban and intercity transport vehicles; international trade (relating to administrative licensing, operation with license), storage; import, wholesale business, commission agent of relevant mechanical, electric and chemical products (hazardous chemicals excluded) for railway rolling stock (electric and diesel locomotive), urban and intercity transport vehicles (light rail and metro) (those relating to national special regulations and quota license administration will be operated based on relevant national provisions).

Joint ventures	Place of incorporation	Registration place	Proportion of ownership interest held by the Group	Business scope
Hitachi Yonge 日立永濟	Xi'an Shaanxi	Xi'an Shaanxi	50.00%	Design, manufacture, sales and after-sale service of the electric system of urban rail transit vehicle and railway vehicle (drive, auxiliary power supply, vehicle information control system, air control equipment, air interchanger). (The above business scope includes partial items under special control of franchise and pre-licensed items according to national regulation)
FAIVELEY SRI Rail 四方法維萊	Qingdao Shandong	Qingdao Shandong	50.00%	Design, manufacture, assembling of railway braking system, other railway transportation equipment and relevant components and parts, sales of self-brand products and after-sales service. (The above scope includes those which should be operated with license)
Changchun Diandi 長春帝安帝	Changchun Jilin	Changchun Jilin	50.00%	Sales of railway vehicles, compartment internal equipments, spare and accessory parts (excluding those disallowed to operate according to state laws and regulations; some items cannot be operated until obtaining the approval if they should be approved specially)
Danobat Feb. 7th 二七達諾巴特	Beijing	Beijing	50.10%	Machine manufacture; R& D of numerical control machine tool; sales of self-produced products and supply of relevant supporting service.

Summarized information of the Group's major joint ventures:

Joint ventures	Place of incorporation	Registration place	Proportion of ownership interest held by the Group	Business scope
Shenton CNR 申通北車	Shanghai	Shanghai	50.00%	Technical research and advisory and technical service of rail transit vehicles, vehicle team analysis, and maintenance of rail transit vehicles; maintenance and MRO of the parts of rail transit vehicles; modernisation and maintenance of rail transit vehicles; maintenance and MRO of CRH train; maintenance and MRO of intercity railway; maintenance and MRO of streetcar; procurement and sales of components and parts.
Shenzhen CNR 深圳北車	Shenzhen	Shenzhen	50.00%	Railway vehicles manufacture, bogie troubleshooting; vehicle troubleshooting; test and commissioning business; system integration and key components of railway vehicles, information service; technical advisory and comprehensive service.

The following table sets forth the summarized financial information of the Group material joint ventures (the amount of relevant financial information of joint ventures is adjusted under equity method) and reconciliation to the carrying amounts in the consolidation financial statements, are disclosed below:

Unit: RMB'000

	As at 31 October 2014								
Joint ventures	**Changchun Bombardier 長客龐巴迪**	**Shenyang CNR Wabtec 沈車西屋**	**Dalian Toshiba 大連東芝**	**Hitachi Yonge 日立永濟**	**FAIVELEY SRI Rail 四方法維萊**	**Changchun Diandi 長春帝安帝**	**Danobat Feb. 7th 二七達諾巴特**	**Shenton CNR 申通北車**	**Shenzhen CNR 深圳北車**
Current assets	1,310,727	137,196	2,772,690	1,627,576	412,279	34,672	8,550	66,553	20,000
Including: Cash and cash equivalents	320,550	6,023	371,319	342,670	66,453	6,228	7,512	37,837	—
Non-current assets	61,911	70,034	75,933	166,581	15,720	131	—	1,504	—
Total assets	1,372,638	207,230	2,848,623	1,794,157	427,999	34,803	8,550	68,057	20,000
Current liabilities	1,041,539	71,291	1,997,348	662,283	195,794	(625)	141	37,743	—
Non-current liabilities	—	—	214,352	302,368	57,721	—	—	—	—
Total liabilities	1,041,539	71,291	2,211,700	964,651	253,515	(625)	141	37,743	—
Net assets	331,099	135,939	636,923	829,506	174,484	35,428	8,409	30,314	20,000
Share of net assets calculated based on shareholding percentage	165,550	67,970	318,462	414,753	87,242	17,714	4,213	15,157	10,000
Book value of investments on joint ventures	165,550	67,970	318,462	414,753	87,242	17,714	4,213	15,157	10,000

Unit: RMB'000

	Ten months ended 31 October 2014								
Joint ventures	**Changchun Bombardier 長客龐巴迪**	**Shenyang CNR Wabtec 沈車西屋**	**Dalian Toshiba 大連東芝**	**Hitachi Yonge 日立永濟**	**FAIVELEY SRI Rail 四方法維萊**	**Changchun Diandi 長春帝安帝**	**Danobat Feb. 7th 二七達諾巴特**	**Shenton CNR 申通北車**	**Shenzhen CNR 深圳北車**
Revenue	704,510	107,792	2,228,142	860,912	381,679	23,163	—	1,428	—
Income tax expense	—	—	57,333	26,177	5,162	564	10	—	—
Net profit /(losses)	12,348	(8,017)	235,226	148,334	29,250	2,470	(1,609)	(7,803)	—
Other comprehensive income	—	—	—	—	—	—	—	—	—
Total comprehensive income	12,348	(8,017)	235,226	148,334	29,250	2,470	(1,609)	(7,803)	—
Dividend received from joint ventures for the period	—	—	41,301	15,500	20,000	—	—	—	—

Unit: RMB'000

	As at 31 December 2013						
Joint ventures	**Changchun Bombardier 長客龐巴迪**	**Shenyang CNR Wabtec 沈車西屋**	**Dalian Toshiba 大連東芝**	**Hitachi Yonge 日立永濟**	**FAIVELEY SRI Rail 四方法維萊**	**Changchun Diandi 長春帝安帝**	**Danobat Feb. 7th 二七達諾巴特**
Current assets	1,159,360	136,784	2,392,404	1,657,327	409,254	34,379	10,209
Including: Cash and cash equivalents	347,116	16,284	553,944	176,354	38,616	20,876	9,489
Non-current assets	69,225	73,709	81,220	173,052	17,790	86	—
Total assets	1,228,585	210,493	2,473,624	1,830,379	427,044	34,465	10,209
Current liabilities	909,834	66,537	1,808,759	825,304	201,843	1,507	191
Non-current liabilities	—	—	178,377	299,947	34,167	—	—
Total liabilities	909,834	66,537	1,987,136	1,125,251	236,010	1,507	191
Net assets	318,751	143,956	486,488	705,128	191,034	32,958	10,018
Share of net assets calculated based on Shareholding percentage	159,376	71,978	243,244	352,564	95,517	16,479	5,019
Book value of investments on joint ventures	159,376	71,978	243,244	352,564	95,517	16,479	5,019

Unit: RMB'000

Joint ventures	Changchun Bombardier 長客龐巴迪	Shenyang CNR Wabtec 沈車西屋	Dalian Toshiba 大連東芝	Hitachi Yonge 日立永濟	FAIVELEY SRI Rail 四方法維萊	Changchun Diandi 長春帝安帝	Danobat Feb. 7th 二七達諾巴特
				2013			
Revenue	672,240	136,541	2,036,373	1,016,143	313,428	25,507	400
Income tax expense	—	—	44,282	37,065	4,676	807	6
Net profit/ (losses)	8,680	(5,914)	141,013	210,035	26,495	2,381	18
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	8,680	(5,914)	141,013	210,035	26,495	2,381	18
Dividend received from joint ventures for the year	—	—	27,167	6,180	—	—	—

Unit: RMB'000

Joint ventures	Changchun Bombardier 長客龐巴迪	Shenyang CNR Wabtec 沈車西屋	Dalian Toshiba 大連東芝	Hitachi Yonge 日立永濟	FAIVELEY SRI Rail 四方法維萊	Changchun Diandi 長春帝安帝	CNRCarGo
				As at 31 December 2012			
Current assets	1,289,182	138,446	1,754,113	1,563,191	272,673	33,253	926
Including: Cash and cash equivalents	479,980	16,330	583,551	108,231	45,379	12,478	—
Non-current assets	82,356	72,361	66,920	177,836	19,676	86	—
Total assets	1,371,538	210,807	1,821,033	1,741,027	292,349	33,339	926
Current liabilities	1,061,467	60,937	1,389,407	1,166,463	129,092	2,762	116
Non-current liabilities	—	—	31,818	62,855	—	—	—
Total liabilities	1,061,467	60,937	1,421,225	1,229,318	129,092	2,762	116
Net assets	310,071	149,870	399,808	511,709	163,257	30,577	810
Share of net assets calculated based on Shareholding percentage	155,036	74,935	199,904	255,855	81,629	15,289	405
Book value of investments on joint ventures	155,036	74,935	199,904	255,855	81,629	15,289	405

Unit: RMB'000

	2012						
Joint ventures	**Changchun Bombardier 長客龐巴迪**	**Shenyang CNR Wabtec 沈車西屋**	**Dalian Toshiba 大連東芝**	**Hitachi Yonge 日立永濟**	**FAIVELEY SRI Rail 四方法維萊**	**Changchun Diandi 長春帝安帝**	**CNRCarGo**
Revenue	483,343	155,931	1,809,627	868,551	292,617	30,037	—
Income tax expense	—	—	30,687	23,681	8,449	579	—
Net profit /(losses)	2,334	(5,727)	91,317	87,597	46,692	1,735	(1,227)
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	2,334	(5,727)	91,317	87,597	46,692	1,735	(1,227)
Dividend received from joint ventures for the year	—	—	28,920	—	—	—	—

(3) Investments in associates are as follows:

Unit: RMB'000

Investee	Investment cost	Balance at 1 January 2014	Increase/ (decrease)	Balance at 31 October 2014	Proportion of the ownership interest held by the Group	Proportion of the voting rights held by the Group	Cash dividends declared
Equity method—Associates							
Datong ABB Traction Transformer Co., Ltd. ("Datong ABB") 大同ABB牽引變壓器有限公司 ("大同ABB")	24,002	98,764	35,511	134,275	50.00%	<50.00%	55,551
Xi'an Alstom Yongji Electric Equipment Co., Ltd. ("Xi'an Alstom") 西安阿爾斯通永濟電氣設備有限公司 ("西安阿爾斯通")	13,173	29,377	13,599	42,976	49.00%	49.00%	—
Alstom Qingdao Railway Equipment Co., Ltd. ("Alstom Qingdao") 青島阿爾斯通鐵路設備有限公司 ("青島阿爾斯通")	2,450	50,275	20,814	71,089	49.00%	49.00%	—
Beijing Nankou Railway Bearings Co., Ltd.. ("Nankou Railway Bearings") 北京南口斯凱孚鐵路軸承有限公司 ("南口斯凱孚")	121,744	169,640	(21,662)	147,978	49.00%	49.00%	19,583
Xinyang Amsted Tonghe Wheels Co., Ltd. ("Xinyang Amsted Tonghe") 信陽同合車輪有限公司 ("信陽同合")	105,010	150,221	(3,989)	146,232	25.00%	25.00%	12,500
Tangshan Tang-che Railway Transport Equipment Co., Ltd. ("Tang-che Railway") 唐山唐車威奧軌道車輛鋁部件有限責任公司 ("唐車威奧")	—	20,642	(20,642)	—	—	—	—
Shanghai Alstom Transport Electric Equipment Co., Ltd. ("Shanghai Alstom") 上海阿爾斯通交通電氣有限公司 ("上海阿爾斯通")	35,097	66,483	9,121	75,604	40.00%	40.00%	—
Tianjin Electric Locomotive Co., Ltd. ("Tianjin Electric") 天津電力機車有限公司 ("天津電力")	420,000	392,360	(25,970)	366,390	43.75%	43.75%	—
Others	62,729	62,290	4,526	66,816	—	—	76
Total	784,205	1,040,052	11,308	1,051,360	—	—	87,710

Unit: RMB'000

Investee	Investment cost	Balance at 1 January 2013	Increase/ (decrease)	Balance at 31 December 2013	Proportion of the ownership interest held by the Group	Proportion of the voting rights held by the Group	Cash dividends declared
Equity method—Associates							
Datong ABB 大同ABB	24,002	96,657	2,107	98,764	50.00%	<50.00%	53,451
Xi'an Alstom 西安阿爾斯通	13,173	20,768	8,609	29,377	49.00%	49.00%	—
Alstom Qingdao 青島阿爾斯通	2,450	39,643	10,632	50,275	49.00%	49.00%	8,820
Nankou Railway Bearings 南口斯凱孚	121,744	150,635	19,005	169,640	49.00%	49.00%	—
Xinyang Amsted Tonghe 信陽同合	105,010	168,310	(18,089)	150,221	25.00%	25.00%	30,000
Tang-che Railway 唐車威奧	37,500	25,896	(5,254)	20,642	25.00%	25.00%	—
Shanghai Alstom 上海阿爾斯通	35,097	54,573	11,910	66,483	40.00%	40.00%	11,874
Tianjin Electric 天津電力	420,000	404,972	(12,612)	392,360	43.75%	43.75%	—
Others	62,729	43,410	18,880	62,290	—	—	468
Total	821,705	1,004,864	35,188	1,040,052	—	—	104,613

Unit: RMB'000

Investee	Investment cost	Balance at 1 January 2012	Increase/ (decrease)	Balance at 31 December 2012	Proportion of the ownership interest held by the Group	Proportion of the voting rights held by the Group	Cash dividends declared
Equity method — Associates							
Datong ABB 大同ABB	24,002	114,785	(18,128)	96,657	50.00%	<50.00%	73,072
Xi'an Alstom 西安阿爾斯通	13,173	19,201	1,567	20,768	49.00%	49.00%	—
Alstom Qingdao 青島阿爾斯通	2,450	36,366	3,277	39,643	49.00%	49.00%	14,210
Nankou Railway Bearings 南口斯凱孚	121,744	134,280	16,355	150,635	49.00%	49.00%	14,700
Xinyang Amsted Tonghe 信陽同合	105,010	187,198	(18,888)	168,310	25.00%	25.00%	37,500
Tang-che Railway 唐車威奧	37,500	29,350	(3,454)	25,896	25.00%	25.00%	—
Shanghai Alstom 上海阿爾斯通	23,822	67,927	(13,354)	54,573	40.00%	40.00%	24,864
Tianjin Electric 天津電力	420,000	420,000	(15,028)	404,972	43.75%	43.75%	—
Others	42,729	41,465	1,945	43,410	—	—	602
Total	790,430	1,050,572	(45,708)	1,004,864	—	—	164,948

Summarized information of the Group's major associates:

Associates	Place of in corporation	Registration place	Proportion of ownership interest held by the Group	Business scope
Datong ABB 大同ABB	Datong Shanxi	Datong Shanxi	50.00%	Manufacturing and selling of DC traction transformer, AC traction transformer, electric reactor, other transformers for locomotive, components, accessories and coolers for the above-mentioned various transformers, after-sales service and the maintenance.
Xi'an Alstom 西安阿爾斯通	Xi'an Shaanxi	Xi'an Shaanxi	49.00%	Manufacturing, assembling, testing and selling of traction motor, auxiliary motor, transformer electric pump and their matching products and offer relevant supporting services; technical and maintenance service of motor and electric pump. (The above business scope does not include items under special control of franchise and pre-licensed items according to national regulation).
Alstom Qingdao 青島阿爾斯通	Qingdao Shandong	Qingdao Shandong	49.00%	Design, manufacturing and selling of hydraulic snubber dedicated for railway with DISPEN technology and rolling stock accessories with Alstom technology; customer consulting and service for Alstom products in the field of railway (The above scope includes those which should be operated with license).
Nankou Railway Bearings 南口斯凱孚	Beijing	Beijing	49.00%	Installation, commissioning, technical consulting and training of bearings for MRO railway rolling stock; selling of self-produced products.

Associates	Place of in corporation	Registration place	Proportion of ownership interest held by the Group	Business scope
Xinyang Amsted Tonghe 信陽同合	Xinyang Henan	Xinyang Henan	25.00%	Manufacturing and selling of cast steel wheel and other cast steel products for locomotives, vehicles, rail vehicles; technical service and after-sales service; import & export service (excluding distribution business)
Tang-che Railway 唐車威奧	Tangshan Hebei	Tangshan Hebei	25.00%	Manufacturing of aluminium made spare and accessory parts of CRH train
Shanghai Alstom 上海阿爾斯通	Shanghai	Shanghai	40.00%	Design, manufacturing and testing urban transportation traction current equipments and urban rail transit information system, selling of self-produced products (for those involving administrative license, they should be operated with license)
Tianjin Electric 天津電力	Tainjing	Tainjing	43.75%	R&D, manufacturing, maintenance and after-sales service of main line railway electric locomotive, electric motor train unit, urban rail transit equipments and their components. Operated according to national regulations on special business items (if applicable); for those involving the approval from industry regulators, they should be operated with license or approval.

The following table sets forth the summarized financial information of the Group material associates (the amount of relevant financial information of associates is adjusted under equity method) and reconciliation to the carrying amounts in the consolidation financial statements, are disclosed below:

Unit: RMB'000

	As at 31 October 2014						
Associates	**Datong ABB 大同ABB**	**Xi'an Alstom 西安阿爾斯通**	**Alstom Qingdao 青島阿爾斯通**	**Nankou Railway Bearings 南口斯凱孚**	**Xinyang Amsted Tonghe 信陽同合**	**Shanghai Alstom 上海阿爾斯通**	**Tianjin Electric 天津電力**
Current assets	679,660	113,112	184,532	221,887	619,432	546,796	486,130
Non-current assets	48,994	17,230	11,109	118,866	321,355	71,477	1,206,883
Total assets	728,654	130,342	195,641	340,753	940,787	618,273	1,693,013
Current liabilities	425,531	36,675	40,789	38,757	355,859	401,826	569,624
Non-current liabilities	34,573	5,961	9,773	—	—	37,754	300,860
Total liabilities	460,104	42,636	50,562	38,757	355,859	439,580	870,484
Net assets	268,550	87,706	145,079	301,996	584,928	178,693	822,529
Share of net assets calculated based on shareholding percentage	134,275	42,976	71,089	147,978	146,232	71,477	359,856
Add: Goodwill acquired from investments	—	—	—	—	—	—	6,534
Add: Others	—	—	—	—	—	4,127	—
Book value of investments on associates	134,275	42,976	71,089	147,978	146,232	75,604	366,390

Unit: RMB'000

	Ten months ended 31 October 2014						
Associates	**Datong ABB 大同ABB**	**Xi'an Alstom 西安阿爾斯通**	**Alstom Qingdao 青島阿爾斯通**	**Nankou Railway Bearings 南口斯凱孚**	**Xinyang Amsted Tonghe 信陽同合**	**Shanghai Alstom 上海阿爾斯通**	**Tianjin Electric 天津電力**
Revenue	698,933	124,945	134,986	205,357	496,854	317,300	89,615
Net profit/(losses)	182,124	27,753	42,345	(4,242)	34,045	23,018	(59,359)
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	182,124	27,753	42,345	(4,242)	34,045	23,018	(59,359)
Dividend received from associates for the period	55,551	—	—	19,583	12,500	—	—

Unit: RMB'000

	As at 31 December 2013							
Associates	**Datong ABB 大同ABB**	**Xi'an Alstom 西安阿爾斯通**	**Alstom Qingdao 青島阿爾斯通**	**Nankou Railway Bearings 南口斯凱孚**	**Xinyang Amsted Tonghe 信陽同合**	**Tang-che Railway 唐車威奧**	**Shanghai Alstom 上海阿爾斯通**	**Tianjin Electric 天津電力**
Current assets	508,669	92,562	153,481	323,681	692,153	43,822	484,771	473,327
Non-current assets	48,444	16,629	11,698	118,499	348,811	220,750	62,058	1,166,674
Total assets	557,113	109,191	165,179	442,180	1,040,964	264,572	546,829	1,640,001
Current liabilities	323,280	43,775	56,665	95,976	440,079	172,520	353,473	432,252
Non-current liabilities	36,306	5,463	5,912	—	—	9,485	37,681	325,860
Total liabilities	359,586	49,238	62,577	95,976	440,079	182,005	391,154	758,112
Net assets	197,527	59,953	102,602	346,204	600,885	82,567	155,675	881,889
Share of net assets calculated based on Shareholding percentage	98,764	29,377	50,275	169,640	150,221	20,642	62,270	385,826
Add: Goodwill acquired from investments	—	—	—	—	—	—	—	6,534
Add: Others	—	—	—	—	—	—	4,213	—
Book value of investments on associates	98,764	29,377	50,275	169,640	150,221	20,642	66,483	392,360

Unit: RMB'000

Associates	Datong ABB 大同ABB	Xi'an Alstom 西安阿爾斯通	Alstom Qingdao 青島阿爾斯通	Nankou Railway Bearings 南口斯凱孚	Xinyang Amsted Tonghe 信陽同合	Tang-che Railway 唐車威奧	Shanghai Alstom 上海阿爾斯通	Tianjin Electric 天津電力
				2013				
Revenue	572,075	105,758	134,273	416,499	616,338	10,015	373,535	198,986
Net profit/(losses)	111,439	15,973	39,617	38,836	47,645	(21,048)	31,619	(28,826)
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income	111,439	15,973	39,617	38,836	47,645	(21,048)	31,619	(28,826)
Dividend received from associates for the year	53,451	—	8,820	—	30,000	—	11,874	—

Unit: RMB'000

Associates	Datong ABB 大同ABB	Xi'an Alstom 西安阿爾斯通	Alstom Qingdao 青島阿爾斯通	Nankou Railway Bearings 南口斯凱孚	Xinyang Amsted Tonghe 信陽同合	Tang-che Railway 唐車威奧	Shanghai Alstom 上海阿爾斯通	Tianjin Electric 天津電力
				As at 31 December 2012				
Current assets	554,153	42,648	109,478	304,742	568,197	194,637	390,416	562,344
Non-current assets	56,510	18,097	9,769	119,152	381,183	92,375	25,050	1,019,221
Total assets	610,663	60,745	119,247	423,894	949,380	287,012	415,466	1,581,565
Current liabilities	382,181	12,877	34,404	116,476	276,139	173,744	289,823	544,989
Non-current liabilities	35,168	5,485	3,939	—	—	9,683	—	125,860
Total liabilities	417,349	18,362	38,343	116,476	276,139	183,427	289,823	670,849
Net assets	193,314	42,383	80,904	307,418	673,241	103,585	125,643	910,716
Share of net assets calculated based on shareholding percentage	96,657	20,768	39,643	150,635	168,310	25,896	50,257	398,438
Add: Goodwill acquired from investments	—	—	—	—	—	—	—	6,534
Add: Others	—	—	—	—	—	—	4,316	—
Book value of investments on associates	96,657	20,768	39,643	150,635	168,310	25,896	54,573	404,972

Unit: RMB'000

Associates	Datong ABB 大同ABB	Xi'an Alstom 西安阿爾斯通	Alstom Qingdao 青島阿爾斯通	2012 Nankou Railway Bearings 南口斯凱孚	Xinyang Amsted Tonghe 信陽同合	Tang-che Railway 唐車威奧	Shanghai Alstom 上海阿爾斯通	Tianjin Electric 天津電力
Revenue	619,130	98,051	109,165	540,182	710,845	13,801	349,490	96,020
Net profit/(losses)	107,225	3,199	35,689	63,049	72,570	(13,816)	31,038	(34,350)
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income	107,225	3,199	35,689	63,049	72,570	(13,816)	31,038	(34,350)
Dividend received from associates for the year	73,072	—	14,210	14,700	37,500	—	24,864	—

Aggregate information of associates that are not individually material:

Unit: RMB'000

	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Total carrying amount:	66,816	62,290	43,410
The following total carrying amounts of investments calculated based on shareholding percentages			
— Net profit	4,716	269	591
— Other comprehensive income	—	—	—
— Total comprehensive income	4,716	269	591

12. Investment properties

Unit: RMB'000

Item	Plant & buildings	Land use rights	Total
Cost			
Balance at 1 January 2012	235,547	11,850	247,397
Additions during the year	16,404	—	16,404
Disposal during the year	4,094	—	4,094
Balance at 31 December 2012	247,857	11,850	259,707
Additions during the year	263	—	263
Transfer from fixed assets	163	—	163
Disposal during the year	6,536	—	6,536
Transfer to fixed assets	18,470	—	18,470
Balance at 31 December 2013	223,277	11,850	235,127
Additions during the period	122	—	122
Transfer from fixed assets	3,663	—	3,663
Disposal during the period	1,752	—	1,752
Transfer to fixed assets	449	—	449
Balance at 31 October 2014	224,861	11,850	236,711

Unit: RMB'000

Item	Plant & buildings	Land use rights	Total
Accumulated depreciation and amortisation			
Balance at 1 January 2012	135,642	1,333	136,975
Charge for the year	3,752	238	3,990
Transfer from fixed assets	9,577	—	9,577
Disposal during the year	4,094	—	4,094
Balance at 31 December 2012	144,877	1,571	146,448
Charge for the year	3,678	238	3,916
Transfer from fixed assets	41	—	41
Disposal during the year	3,776	—	3,776
Transfer to fixed assets	10,147	—	10,147
Balance at 31 December 2013	134,673	1,809	136,482
Charge for the period	3,093	199	3,292
Transfer from fixed assets	88	—	88
Disposal during the period	348	—	348
Transfer to fixed assets	185	—	185
Balance at 31 October 2014	137,321	2,008	139,329
Provision for impairment			
Balance at 31 December 2011	16,279	—	16,279
Transfer from fixed assets	590	—	590
Balance at 31 December 2012	16,869	—	16,869
Transfer to fixed assets	2,489	—	2,489
Balance at 31 December 2013	14,380	—	14,380
Write-off of provision for impairment	101	—	101
Transfer to fixed assets	385	—	385
Balance at 31 October 2014	13,894	—	13,894
Carrying amounts			
Balance at 31 October 2014	73,646	9,842	83,488
Balance at 31 December 2013	74,224	10,041	84,265
Balance at 31 December 2012	86,111	10,279	96,390

13. Fixed assets

(1) Fixed assets

Unit: RMB'000

Item	Building and structures	Equipment	Furniture, fixtures and others	Motor vehicles	Total
Cost					
Balance at 1 January 2012	9,556,168	11,742,361	1,081,158	1,033,428	23,413,115
Additions during the year	21,229	60,066	72,724	15,836	169,855
Transfer from construction in progress	2,912,930	2,330,343	159,159	216,037	5,618,469
Additions from combination	66,942	24,319	3,083	1,275	95,619
Disposal during the year	21,194	142,311	16,431	52,783	232,719
Fixed assets reclassified to investment properties	16,268	—	—	—	16,268
Balance at 31 December 2012	12,519,807	14,014,778	1,299,693	1,213,793	29,048,071
Additions during the year	41,811	82,293	35,001	91,908	251,013
Transfer from construction in progress	1,886,153	2,440,368	156,937	183,605	4,667,063
Investment properties reclassified to fixed assets	18,470	—	—	—	18,470
Disposal during the year	78,255	227,299	36,804	17,138	359,496
Fixed assets reclassified to investment properties	163	—	—	—	163
Balance at 31 December 2013	14,387,823	16,310,140	1,454,827	1,472,168	33,624,958
Additions during the period	17,644	74,050	24,119	8,576	124,389
Transfer from construction in progress	1,133,430	844,929	55,794	32,321	2,066,474
Investment properties reclassified to fixed assets	449	—	—	—	449
Disposal during the period	46,546	143,360	24,594	21,487	235,987
Fixed assets reclassified to investment properties	3,663	—	—	—	3,663
Balance at 31 October 2014	15,489,137	17,085,759	1,510,146	1,491,578	35,576,620

Unit: RMB'000

Item	Building and structures	Equipment	Furniture, fixtures and others	Motor vehicles	Total
Accumulated depreciation					
Balance at 1 January 2012	2,028,044	4,702,532	579,752	430,274	7,740,602
Charge for the year	327,842	882,209	157,669	98,985	1,466,705
Additions from combination	—	—	577	289	866
Disposal during the year	11,828	108,166	14,611	44,979	179,584
Transfer to investment properties	9,577	—	—	—	9,577
Balance at 31 December 2012	2,334,481	5,476,575	723,387	484,569	9,019,012
Additions during the year	512,703	1,138,879	164,747	136,759	1,953,088
Investment properties reclassified to fixed assets	10,147	—	—	—	10,147
Disposal during the year	51,565	173,322	32,725	12,766	270,378
Fixed assets reclassified to investment properties	41	—	—	—	41
Balance at 31 December 2013	2,805,725	6,442,132	855,409	608,562	10,711,828
Charge for the period	435,360	1,013,365	170,132	119,114	1,737,971
Investment properties reclassified to fixed assets	185	—	—	—	185
Disposal during the period	13,880	106,452	20,404	15,778	156,514
Fixed assets reclassified to investment properties	88	—	—	—	88
Balance at 31 October 2014	3,227,302	7,349,045	1,005,137	711,898	12,293,382
Provision for impairment					
Balance at 31 December 2011	28,866	170,311	5,997	7,660	212,834
Written off on disposal	—	3,663	210	881	4,754
Transfer to investment properties	590	—	—	—	590
Balance at 31 December 2012	28,276	166,648	5,787	6,779	207,490
Additions during the year	—	1,425	—	—	1,425
Investment properties reclassified to fixed assets	2,489	—	—	—	2,489
Disposal during the year	10	4,024	598	578	5,210
Balance at 31 December 2013	30,755	164,049	5,189	6,201	206,194
Additions during the period	—	—	—	—	—
Investment properties reclassified to fixed assets	385	—	—	—	385
Disposal during the period	—	4,444	623	4	5,071
Balance at 31 October 2014	31,140	159,605	4,566	6,197	201,508
Carrying amounts					
Balance at 31 October 2014	12,230,695	9,577,109	500,443	773,483	23,081,730
Balance at 31 December 2013	11,551,343	9,703,959	594,229	857,405	22,706,936
Balance at 31 December 2012	10,157,050	8,371,555	570,519	722,445	19,821,569

As at 31 October 2014, 31 December 2013 and 31 December 2012, there were no significant temporarily idle fixed assets.

Please refer to Note V.19(1) for information about restricted fixed assets of the Group as at 31 October 2014 and 31 December 2013.

As at 31 December 2012, the Group did not have any fixed assets used as guarantees or pledged as security.

(2) Major fixed assets leased out under operating lease

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Machinery & equipment	66,087	68,879	65,952
Motor vehicles	7,876	18,372	292,181

(3) Fixed assets with pending certificates of ownership

As at 31 October 2014, 31 December 2013 and 31 December 2012, the aggregate net book value of fixed assets with restriction on title is approximately RMB5,118.74 million, RMB5,023.50 million and RMB4,118.98 million respectively. The Directors of the Company are of the opinion that the Group is entitled to occupy and use, lawfully and validly, the above mentioned fixed assets and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 October 2014, 31 December 2013 and 31 December 2012.

(4) Fixed assets acquired under finance lease

As at 31 October 2014, 31 December 2013 and 31 December 2012, there were no fixed assets acquired under finance lease in the Group.

14. Construction in progress

(1) Construction in progress

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Book value	5,985,446	5,194,074	5,279,541
Less: Provision for impairment	9,254	9,254	9,455
Carrying amount	5,976,192	5,184,820	5,270,086

(2) Provision for impairment of construction in progress

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Balance at the beginning of the period/year	9,254	9,455	—
Additions during the period/ year	—	—	9,455
Disposal during the period/ year	—	201	—
Balance at the end of the period/year	9,254	9,254	9,455

(3) Movements of major construction in progress during the reporting period

For the ten months ended 31 October 2014, movements of major construction in progress are as follows:

Unit: RMB'000

Subsidiary name	Project name	Budget	Balance at the beginning of the period	Additions during the period	Transfer to fixed assets	Other transfer	Percentage of actual cost to budget (%)	Accumulated capitalised interest	Including: interest capitalised	Interest rate for capitalisation for the period (%)	Capital source	Balance at the end of the period
Total	—	—	5,194,074	2,905,585	2,066,474	47,739	—	529,328	191,748	6.20%-6.88%	—	5,985,446
Including:												
CNR Dalian 大連機輛公司	Dalian Locomotive Lv Shun Base Construction Project 大連機車旅順基地建設項目	2,800,000	1,442,190	342,194	21,394	—	79%	204,686	47,911	6.37%	Funds raised, loans and self-owned funds	1,762,990
CNR Taiyuan 太原裝備公司	Transfer from Urban Area to Industrial Park Project 退城入園項目工程	1,249,980	634,675	450,106	53,162	—	87%	72,277	45,897	6.55%	Loans and self-owned funds	1,031,619
CNR Beijing Feb. 7th 二七裝備公司	CNR Beijing Railway Transportation Equipment Industrial Park Construction Project Phase 1 中國北車北京軌道交通裝備產業園建設項目一期工程	1,499,800	149,383	22,179	—	—	54%	20,570	2,248	6.55%	Loans and self-owned funds	171,562
CNR Dalian Institute 大連研究所公司	Lv Shun Industrial Base Construction Project 旅順產業基地建設項目	1,000,000	93,107	105,312	—	—	23%	24,914	10,449	6.20%	Loans	198,419

Unit: RMB'000

Subsidiary name	Project name	Budget	Balance at the beginning of the period	Additions during the period	Transfer to fixed assets	Other transfer	Percentage of actual cost to budget (%)	Accumulated capitalised interest	Including: interest capitalised	Interest rate for capitalisation for the period (%)	Capital source	Balance at the end of the period
CNR Tangshan 唐山客車公司	High-speed MUs Improvement Base Construction Project 高速動車組檢修基地建設項目	920,000	128,931	57,511	15,418	—	75%	5,875	—	—	Funds raised, loans and self-owned funds	171,024
CNR Qiqihar 北齊車輛公司	Heavy-duty Rapid Freight Wagon Project 重載快捷項目	1,150,000	151,926	238,382	244,913	—	65%	8,643	14,432	6.88%	Funds raised, loans and self-owned funds	145,395
CNR Changchun 長客股份公司	Wheel Set Building & Repairing Plant 輪對造修廠房	124,040	100,329	10,785	—	—	91%	22,096	4,248	6.22%	Loans	111,114
CNR Beijing Nankou 南口機械公司	Air Source System Project 風源系統	780,000	108,862	88,893	83,143	—	44%	10,108	4,486	6.22%	Funds raised, loans and self-owned funds	114,612
CNR Tangshan 唐山客車公司	R & D and Experiment of High-speed Inspection Train and High-speed MUs with a Speed/hour of 400KM and Above 高速檢測列車及時速400公里以上高速動車組研發和試驗	610,000	228,198	55,689	193,422	—	74%	—	—	—	Funds raised and self-owned funds	90,465
CNR Datong 同車公司	Activated Carbon Base Construction Project 活性炭土建	259,900	29,368	59,699	—	—	34%	3,188	2,745	6.22%	Loans and self-owned funds	89,067

For the year 2013, movements of major construction in progress are as follows:

Unit: RMB'000

Subsidiary name	Project name	Budget	Balance at the beginning of the year	Additions during the year	Transfer to fixed assets	Other transfer	Percentage of actual cost to budget (%)	Accumulated capitalised interest	Including: interest capitalised	Interest rate for capitalisation for the year (%)	Capital source	Balance at the end of the year
Total	—	—	5,279,541	4,630,774	4,667,063	49,178	—	377,493	184,098	5.07%-6.46%	—	5,194,074
Including:												
CNR Dalian 大連機輛公司	Dalian Locomotive Lv Shun Base Construction Project 大連機車旅順基地建設項目	2,800,000	968,510	627,806	154,126	—	70%	157,197	51,144	6.22%	Funds raised, loans and self-owned funds	1,442,190
CNR Taiyuan 太原裝備公司	Transfer from Urban Area to Industrial Park Project 退城入園項目工程	1,249,980	15,233	619,442	—	—	51%	26,381	26,381	6.22%	Loans and self-owned funds	634,675
CNR Tangshan 唐山客車公司	R & D and Experiment of High-speed Inspection Train and High-speed MUs with a Speed/hour of 400KM and Above 高速檢測列車及時速400公里以上高速動車組研發和試驗	610,000	57,968	216,460	23,935	22,295	45%	—	—	—	Funds raised and self-owned funds	228,198
CNR Tangshan 唐山客車公司	East Area Bogie Welding Plant & Assembling Plant 東區轉向架焊接廠房、組裝廠房	201,000	136,402	46,115	—	—	91%	2,401	—	—	Loans and self-owned funds	182,517

Unit: RMB'000

Subsidiary name	Project name	Budget	Balance at the beginning of the year	Additions during the year	Transfer to fixed assets	Other transfer	Percentage of actual cost to budget (%)	Accumulated capitalised interest	Including: interest capitalised	Interest rate for capitalisation for the year (%)	Capital source	Balance at the end of the year
CNR Qiqihar 北齊車輛公司	Heavy-duty Rapid Freight Wagon Project 重載快捷項目	1,150,000	81,173	115,224	44,471	—	28%	6,213	3,269	6.46%	Funds raised, loans and self-owned funds	151,926
Dalian Electric Traction 大連電牽公司	National Key Laboratory of MUs & Locomotive Traction and Control- CNR Base Construction Project 動車組和機車牽引與控制國家重點實驗室北車基地建設項目	300,000	—	150,325	—	—	70%	1,305	108	5.40%	Funds raised, loans and self-owned funds	150,325
CNR Beijing Feb. 7th 二七裝備公司	CNR Beijing Railway Transportation Equipment Industrial Park Construction Project Phase 1 中國北車北京軌道交通裝備產業園建設項目一期工程	1,499,800	4,170	145,213	—	—	49%	18,321	18,224	6.22%	Loans and self-owned funds	149,383
CNR Tangshan 唐山客車公司	High-speed MUs Improvement Base Construction Project 高速動車組檢修基地建設項目	920,000	170,207	176,076	217,352	—	66%	6,673	—	—	Funds raised, loans and self-owned funds	128,931
CNR Beijing Nankou 南口機械公司	Air Source System Project 風源系統項目	780,000	84,090	132,321	107,549	—	26%	28,108	13,450	6.22%	Funds raised, loans and self-owned funds	108,862
CNR Changchun 長客股份公司	Wheel Set Building & Repairing Plant 輪對造修廠房	124,040	83,951	16,378	—	—	89%	17,848	2,828	6.22%	Loans	100,329

For the year 2012, movements of major construction in progress are as follows:

Unit: RMB'000

Subsidiary name	Project name	Budget	Balance at the beginning of the year	Additions during the year	Transfer to fixed assets	Other transfer	Percentage of actual cost to budget (%)	Accumulated capitalised interest	Including: interest capitalised	Interest rate for capitalisation for the year (%)	Capital source	Balance at the end of the year
Total	—	—	6,391,554	4,591,818	5,617,623	86,208	—	292,855	240,013	6.07%-6.80%	—	5,279,541
Including:												
CNR Dalian 大連機輛公司	Dalian Locomotive Lv Shun Base Construction Project 大連機車旅順基地建設項目	2,800,000	938,079	391,508	361,077	—	47%	119,617	60,973	6.69%	Funds raised, loans and self-owned funds	968,510
CNR Changchun 長客股份公司	Platform of MUs with Speed/hour of 350 KM Construction Project 時速350公里動車組製造平台建設項目	2,198,400	1,036,454	128,155	957,561	—	96%	1,657	11,933	6.63%	Loans and funds raised	207,048
CNR Jinan 濟南裝備公司	Wind Power Industrial Park Construction 風電產業園建設	434,960	50,342	146,576	20,097	—	45%	9,241	5,086	6.27%	Self-owned fund and loans	176,821
CNR Tangshan 唐山客車公司	Inter-city Train Stainless Steel Coachwork Manufacuring Project (funds raised) 城際列車不銹鋼車體製造項目(募投)	254,500	—	174,133	—	—	68%	—	—	—	Funds raised	174,133

Unit: RMB'000

Subsidiary name	Project name	Budget	Balance at the beginning of the year	Additions during the year	Transfer to fixed assets	Other transfer	Percentage of actual cost to budget (%)	Accumulated capitalised interest	Including: interest capitalised	Interest rate for capitalisation for the year (%)	Capital source	Balance at the end of the year
CNR Tangshan 唐山客車公司	High-speed MUs Improvement Base Construction Project 高速動車組檢修基地建設	1,150,000	85,952	107,257	23,002	—	62%	6,673	6,274	6.07%	Funds raised, loans and self-owned funds	170,207
CNR Tangshan 唐山客車公司	Tianjin Construction Project Phase 1 天津一期工程總包	173,338	145,507	23,771	—	—	98%	18,935	12,387	6.39%	Self-owned fund and loans	169,278
CNR Tangshan 唐山客車公司	Debugging/assembling/coating Plant Construction Project 調試/組裝/塗裝廠房基建工程	175,860	84,825	83,569	—	—	96%	6,873	6,873	6.07%	Self-owned fund and loans	168,394
CNR Changchun 長春股份公司	Improvement of Platform of MUs with Speed/hour of 350 KM Construction Project 完善高速動車組製造平台建設項目	985,000	675,105	31,233	555,593	—	96%	1,296	9,682	6.63%	Loans	150,745
CNR Beijing Nankou 南口機械公司	MUs Gear Box Project 動車組齒輪箱項目	420,000	98,145	117,326	85,083	—	71%	24,709	17,150	6.36%	Funds raised, loans and self-owned funds	130,388
CNR Qiqihar 北齊車輛公司	CNR Harbin Rolled Steel Logistics Base 哈車鋼材物流基地	198,000	112,841	41,963	30,177	790	78%	9,773	6,686	6.80%	Funds raised, loans and self-owned funds	123,837

15. Intangible assets

(1) Intangible assets

Unit: RMB'000

Item	Land use rights	Non-patent technology	Computer software & system	Others	Total
Cost					
Balance at 1 January 2012	8,274,726	228,601	339,272	57,948	8,900,547
Additions during the year	728,184	7,606	73,261	1,670	810,721
Disposal during the year	3,051	—	786	—	3,837
Balance at 31 December 2012	8,999,859	236,207	411,747	59,618	9,707,431
Additions during the year	913,778	35,912	91,081	288,447	1,329,218
Disposal during the year	6,042	—	1,041	—	7,083
Balance at 31 December 2013	9,907,595	272,119	501,787	348,065	11,029,566
Additions during the period	244,630	6,174	95,356	—	346,160
Disposal during the period	—	—	154	1,453	1,607
Balance at 31 October 2014	10,152,225	278,293	596,989	346,612	11,374,119
Accumulated amortisation					
Balance at 1 January 2012	571,810	105,432	161,790	15,389	854,421
Additions during the year	176,971	24,688	50,628	1,980	254,267
Disposal during the year	196	—	637	—	833
Balance at 31 December 2012	748,585	130,120	211,781	17,369	1,107,855
Additions during the year	191,823	20,495	61,529	16,965	290,812
Disposal during the year	2,487	—	93	—	2,580
Balance at 31 December 2013	937,921	150,615	273,217	34,334	1,396,087
Additions during the period	169,621	18,243	62,744	11,266	261,874
Disposal during the period	—	—	154	1,453	1,607
Balance at 31 October 2014	1,107,542	168,858	335,807	44,147	1,656,354
Provision for impairment					
Balance at 1 January 2012 and balance at 31 December 2012	—	—	—	—	—
Additions during the year	—	—	—	24,000	24,000
Balance at 31 December 2013 and balance at 31 October 2014	—	—	—	24,000	24,000
Balance at 31 October 2014	9,044,683	109,435	261,182	278,465	9,693,765
Balance at 31 December 2013	8,969,674	121,504	228,570	289,731	9,609,479
Balance at 31 December 2012	8,251,274	106,087	199,966	42,249	8,599,576

As at 31 October 2014, 31 December 2013 and 31 December 2012, the aggregate net book value of intangible assets restriction an title is approximately RMB785.07 million, RMB1,777.93 million and RMB894.43 million respectively. The Directors of the Company are of the opinion that the Group is entitled to occupy and use, lawfully and validly, the above- mentioned intangible assets and therefore the aforesaid matter did not have any significant impact on the Group's financial position, as at 31 October 2014, 31 December 2013 and 31 December 2012.

As at 31 October 2014 and 31 December 2013, Jilin High Technology Company (吉林高新公司), a subsidiary of the Company's subsidiary, Changchun Railway Vehicle Co., Ltd., pledged its land use rights with carrying amount of RMB17.38 million to obtain entrusted loans. As at 31 October 2014 and 31 December 2013, the net book value of the pledged land use right was RMB15.60 million and RMB15.96 million.

16. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets or liabilities after offsetting and the corresponding deductible or taxable temporary differences

Unit: RMB'000

Item	As at 31 October 2014		As at 31 December 2013		As at 31 December 2012	
	Deductible or taxable temporary differences ("-" for taxable temporary differences)	Deferred tax assets/ deferred tax liabilities ("-" for liabilities)	Deductible or taxable temporary differences ("-" for taxable temporary differences)	Deferred tax assets/ deferred tax liabilities ("-" for liabilities)	Deductible or taxable temporary differences ("-" for taxable temporary differences)	Deferred tax assets/ deferred tax liabilities ("-" for liabilities)
Deferred tax assets:						
Provision for bad and doubtful debts	1,742,197	342,602	1,143,517	221,740	381,030	60,123
Write down of inventories	188,752	29,442	216,332	33,579	208,047	31,813
Provision for impairment of fixed assets	13,156	1,973	13,210	1,982	19,412	2,912
Deductible tax losses	94,070	23,128	25,214	5,966	68,601	14,193
Employee benefits	76,722	15,312	53,747	11,569	41,123	8,886
Provisions	795,529	127,979	685,124	111,329	488,944	75,890
Offsetting of profit or loss from unearned internal transaction	661,859	103,081	238,616	38,539	477,091	73,731
Amortisation of intangible assets	6,245	443	1,594	(387)	(3,137)	(1,056)
Available-for-sale financial assets	(54,087)	(8,113)	(41,877)	(6,281)	(43,884)	(6,439)
Others	197,592	36,052	177,360	33,301	149,146	26,032
Total	3,722,035	671,899	2,512,837	451,337	1,786,373	286,085
Deferred tax liabilities:						
Available-for-sale financial assets	6,636	1,095	7,168	1,183	3,146	786

(2) Details of unrecognised deferred tax assets

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Deductible temporary differences	819,811	820,433	476,491
Deductible tax losses	2,333,504	1,701,490	1,367,017
Total	3,153,315	2,521,923	1,843,508

(3) Expiration of deductible tax losses for unrecognised deferred tax assets

Unit: RMB'000

Year	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
2013	—	—	31,114
2014	—	93,263	274,753
2015	234,877	338,990	376,773
2016	352,805	352,805	347,852
2017	331,013	331,013	336,525
2018	585,419	585,419	—
2019	829,390	—	—
Total	2,333,504	1,701,490	1,367,017

17. Other non-current assets

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Lands prepayments	938,767	996,889	875,576
Fixed assets prepayments	1,211,787	1,172,332	1,033,719
Investment prepayments	—	—	100,000
Total	2,150,554	2,169,221	2,009,295

18. Provisions for impairment

Unit: RMB'000

Item	Note	1 January 2014	Increase during the period: Charge for the period	Increase during the period: Other additions	Increase during the period: Reclassification	Decrease during the period: Reversal	Decrease during the period: Write-off	Decrease during the period: Reclassification	31 October 2014
I. Receivables	V.4,5,10	1,432,626	584,879	—	—	12,177	1,225	—	2,004,103
II. Prepayments	V.6	58,631	127,416	—	—	—	68	—	185,979
III. Inventories	V.7	428,281	28,601	156,833	—	—	169,590	—	444,125
IV. Available-for-sale financial assets	V.9	24,727	—	—	—	—	—	—	24,727
V. Investment properties	V.12	14,380	—	—	—	—	101	385	13,894
VI. Fixed assets	V.13	206,194	—	—	385	—	5,071	—	201,508
VII. Intangible assets	V.15	24,000	—	—	—	—	—	—	24,000
VIII. Construction in progress	V.14	9,254	—	—	—	—	—	—	9,254
Total		2,198,093	740,896	156,833	385	12,177	176,055	385	2,907,590

Unit: RMB'000

Item		Note	1 January 2013	Increase during the year: Charge for the year	Increase during the year: Acquisition of subsidiaries	Increase during the year: Other additions	Decrease during the year: Reclassification	Decrease during the year: Reversal	Decrease during the year: Write-off	Decrease during the year: Acquisition of business under common control	Decrease during the year: Reclassification	31 December 2013
I.	Receivables	V. 4,5,10	508,353	938,634	257	—	8,000	169	7,343	15,106	—	1,432,626
II.	Prepayments	V.6	40,306	26,325	—	—	—	—	—	—	8,000	58,631
III.	Inventories	V.7	362,489	148,686	412	7,789	—	426	89,128	1,541	—	428,281
IV.	Available-for-sale financial assets	V.9	—	24,727	—	—	—	—	—	—	—	24,727
V.	Investment properties	V.12	16,869	—	—	—	—	—	—	—	2,489	14,380
VI.	Fixed assets	V.13	207,490	1,246	—	—	2,668	—	4,365	845	—	206,194
VII.	Intangible assets	V.15	—	—	24,000	—	—	—	—	—	—	24,000
VIII.	Construction in progress	V.14	9,455	—	—	—	—	—	22	—	179	9,254
Total			1,144,962	1,139,618	24,669	7,789	10,668	595	100,858	17,492	10,668	2,198,093

Unit: RMB'000

Item		Note	1 January 2012	Increase during the year: Charge for the year	Increase during the year: Other additions	Decrease during the year: Reversal	Decrease during the year: Other reductions	31 December 2012
I.	Receivables	V. 4,5,10	395,506	114,825	718	1,428	1,268	508,353
II.	Prepayments	V.6	28,828	11,485	—	—	7	40,306
III.	Inventories	V.7	350,963	101,647	—	537	89,584	362,489
IV.	Investment properties	V.12	16,279	—	590	—	—	16,869
V.	Fixed assets	V.13	212,834	—	—	—	5,344	207,490
VI.	Construction in progress	V.14	—	9,455	—	—	—	9,455
Total			1,004,410	237,412	1,308	1,965	96,203	1,144,962

19. Restricted assets

As at 31 October 2014, 31 December 2013 and 31 December 2012, the assets with restrictions placed on their ownership were as follows:

Unit: RMB'000

Item	Note	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Assets pledged as collateral:				
Bills receivable	V.3	174,500	77,500	13,000
Accounts receivable	(2)	743,103	—	—
Fixed assets	(1)	31,629	32,023	—
Intangible assets	V.15	15,598	15,963	—
Assets with restrictions arising from other reasons:				
Cash at bank and in hand	V.1	1,230,099	1,084,981	206,548
Bills receivable		182,081	—	—
Factored accounts receivable with recourse		172,655	1,296,181	50,000
Inventories		27,884	27,884	—
Total		2,577,549	2,534,532	269,548

(1) As at 31 October 2014, the Company's subsidiary, CNR Shenyang has been involved into a dispute of warehouse contract with a logistics company, and the inventories with carrying amount of RMB27.88 million (RMB27.88 million as at 31 December 2013) were temporarily seized by the counterparty. CNR Shenyang has filed a lawsuit and provided its fixed assets with net value of RMB31.63million (RMB32.02 million as at 31 December 2013) as litigation guarantee according to the demand of court. As at 31 October 2014, the case was still under trial.

(2) On 12 May 2014, the Company's subsidiary, CNR Changchun and Changchun South Square Branch of Industrial and Commercial Bank of China signed an export order financing agreement amounted to RMB800.00 million to pledge the expected accounts receivable of the Contract for the Supply of 60 Electric Multiple Units with Contract No. 12BR01GTB2EZJ0001N which was signed with China National Machinery Import & Export Corporation to Changchun South Square Branch of Industrial and Commercial Bank of China. As at 31 October 2014, the carrying amount of the pledged accounts receivable was RMB743.10 million.

20. Short-term loans

Unit: RMB'000

		As at 31 October 2014			As at 31 December 2013			As at 31 December 2012		
Item	Currency	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Loans from related parties										
Unsecured	RMB	—	—	601,980	—	—	601,980	—	—	20,000
Bank loans										
Unsecured	RMB	—	—	11,235,000	—	—	8,731,200	—	—	5,690,600
	USD	235,592	6.1461	1,447,972	5,000	6.0969	30,484	—	—	—
	JPY	414,359	0.0562	23,287	—	—	—	—	—	—
	EUR	24,763	7.7377	191,611	—	—	—	—	—	—
	HKD	29,020	0.7925	22,998	—	—	—	—	—	—
Secured	RMB	—	—	1,420,000	—	—	255,300	—	—	50,000
	USD	—	—	—	162,022	6.0969	987,832	—	—	—
Entrusted loans										
Unsecured	RMB	—	—	100,000	—	—	—	—	—	—
Secured	RMB	—	—	8,000	—	—	8,000	—	—	—
Total		—	—	15,050,848	—	—	10,614,796	—	—	5,760,600

21. Bills payable

Unit: RMB'000

Category	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Bank acceptance bills	9,396,460	7,350,045	9,692,375
Commercial acceptance bills	522,945	651,586	100
Total	9,919,405	8,001,631	9,692,475

All the bills above are due within one year.

Please see Note VI.6 for the details of bills payable attributable from related parties.

22. Accounts payable

(1) Details of accounts payable are as follows:

Unit: RMB'000

Item	As at 31 October 2014			As at 31 December 2013			As at 31 December 2012		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Related parties									
RMB	—	—	1,535,940	—	—	2,401,222	—	—	1,435,572
Third parties									
RMB	—	—	36,918,768	—	—	25,554,611	—	—	21,809,411
USD	14,578	6.1461	89,597	1,514	6.0969	9,233	17,020	6.2855	106,977
EUR	5,582	7.7377	43,192	5,066	8.4189	42,646	33,689	8.3176	280,209
JPY	144,858	0.0562	8,141	123,737	0.0578	7,152	135,247	0.0730	9,873
GBP	70	9.8202	683	32	10.0556	319	—	—	—
HKD	—	—	—	12,010	0.7862	9,442	16,005	0.8108	12,977
Total	—	—	38,596,321	—	—	28,024,625	—	—	23,655,019

As at 31 October 2014, 31 December 2013 and 31 December 2012, the Group had no significant individual accounts payable with aging of more than one year.

(2) No amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the closing balance of accounts payable in the reporting period.

(3) Please see Note VI.6 for the details of accounts payable to related parties.

23. Advances from customers

(1) Details of advances from customers are as follows:

Unit: RMB'000

	As at 31 October 2014			As at 31 December 2013			As at 31 December 2012		
Item	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Related parties									
RMB	—	—	40,281	—	—	97,566	—	—	1,604
USD	—	—	—	5,151	6.0969	31,405	—	—	—
Third parties	—	—							
RMB	—	—	6,340,084	—	—	9,285,918	—	—	5,354,028
USD	78,809	6.1579	485,295	51,190	6.1301	313,801	86,175	6.4020	551,694
HKD	24,261	0.7925	19,227	449,760	0.8039	361,546	395,465	0.8119	321,078
EUR	2,482	8.4057	20,863	4,326	8.3615	36,172	13,702	8.2456	112,981
JPY	8,904	0.0562	500	—	—	—	6,902	0.0724	500
Others	—	—	559,801	—	—	7,422	—	—	—
Total	—	—	7,466,051	—	—	10,133,830	—	—	6,341,885

Advances from customers with aging over one year are mainly advance for goods, mainly according to more than one year execution period for some contracts.

(2) No amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the closing balance of advances from customers in the reporting period.

(3) Please see Note VI.6 for the details of advances from related parties.

24. Employee benefits payable

Unit: RMB'000

Item	Note	31 October 2014
Short-term employee benefits	(1)	599,411
Defined contribution retirement plans	(2)	143,651
Defined benefit retirement plans		169,123
Early retirement benefit plan-paid within one year		56,479
Total		968,664

(1) Short-term employee benefits

For the ten months ended 31 October 2014:

Unit: RMB'000

Item	Accrued during the period	Balance at the end of the period
Salaries, bonuses, allowances	4,903,921	195,856
Staff welfare	252,852	—
Social insurance	407,929	79,111
Including: Medical insurance	323,325	68,565
Work injury insurance	59,197	9,377
Maternity insurance	25,407	1,169
Housing fund	495,826	106,449
Labor union expenses and employee education expenses	176,277	100,981
Other short-term benefits	493,737	117,014
Total	6,730,542	599,411

(2) Defined contribution retirement plans

For the ten months ended 31 October 2014

Unit: RMB'000

Item	Contributions for the period	Balance at the end of the period
Pension insurance	877,550	116,183
Unemployment insurance	73,978	15,797
Annuity	134,332	11,671
Total	1,085,860	143,651

As at 31 October 2014, 31 December 2013 and 31 December 2012, there were no arrears in the employee benefits payable.

For the year ended 31 December 2013

Unit: RMB'000

Item		1 January 2013	Accrued during the year	Paid during the year	31 December 2013
I.	Salaries, bonuses, allowances	196,225	5,372,949	5,350,374	218,800
II.	Staff welfare	—	421,939	421,939	—
III.	Social insurance	97,338	1,674,885	1,692,899	79,324
	Including: 1. Medical insurance	14,751	368,638	367,929	15,460
	2. Pension insurance	31,650	968,349	956,321	43,678
	3. Unemployment insurance	2,048	88,774	89,402	1,420
	4. Work injury insurance	8,033	72,044	71,938	8,139
	5. Maternity insurance	87	31,381	31,324	144
	6. Annuity	40,769	145,699	175,985	10,483
IV.	Housing fund	113,938	540,296	540,691	113,543
V.	Termination benefits	—	4,393	4,393	—
VI.	Early retirement benefits-the portion to be paid within one year	118,743	106,715	130,854	94,604
VII.	Supplementary retirement benefits-the portion to be paid within one year	165,594	198,223	191,003	172,814
VIII.	Others	256,479	822,214	890,705	187,988
	Including: Labor union expenses and employee education expenses	43,266	181,976	174,620	50,622
Total		948,317	9,141,614	9,222,858	867,073

For the year ended 31 December 2012

Unit: RMB'000

Item		1 January 2012	Accrued during the year	Paid during the year	31 December 2012
I.	Salaries, bonuses, allowances	193,402	4,966,556	4,963,733	196,225
II.	Staff welfare	—	419,133	419,133	—
III.	Social insurance	79,443	1,555,074	1,537,179	97,338
	Including: 1. Medical insurance	33,856	313,806	332,911	14,751
	2. Pension insurance	15,986	903,930	888,266	31,650
	3. Unemployment insurance	5,068	81,028	84,048	2,048
	4. Work injury insurance	8,588	66,397	66,952	8,033
	5. Maternity insurance	96	29,204	29,213	87
	6. Annuity	15,849	160,709	135,789	40,769
IV.	Housing fund	109,332	484,107	479,501	113,938
V.	Termination benefits	—	373	373	—
VI.	Early retirement benefits-the portion to be paid within one year	146,088	157,361	184,706	118,743
VII.	Supplementary retirement benefits-the portion to be paid within one year	161,083	202,784	198,273	165,594
VIII.	Others	289,171	703,500	736,192	256,479
	Including: Labor union expenses and employee education expenses	46,344	167,620	170,698	43,266
Total		978,519	8,488,888	8,519,090	948,317

25. Taxes payable

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Value added tax	570,626	1,434,275	854,825
Business tax	6,938	10,787	15,022
Corporate income tax	341,849	521,657	273,238
Individual income tax	23,588	49,171	24,782
Education surcharges	30,460	67,117	38,103
Urban maintenance and construction tax	49,368	99,662	57,576
Land appreciation tax	5,060	6,850	12,681
Others	17,421	23,310	18,937
Total	1,045,310	2,212,829	1,295,164

26. Dividends payable

Unit: RMB'000

Investor	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
CNRG	53,623	53,623	53,623
US ABC Railway Products China Investment Company 美國ABC鐵路產品中國投資公司	30,278	30,278	63,864
Others	67,060	37,436	62,973
Total	150,961	121,337	180,460

27. Other payables

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Deposits from related parties	387,370	422,190	—
Payables attributable to CNRG	16,421	16,076	17,739
Housing maintenance funds	144,610	159,679	168,275
Payment for equipment	1,229,935	967,161	884,057
Performance bond or deposit for quality	241,186	209,244	170,088
Others	1,453,650	1,162,005	1,037,752
Total	3,473,172	2,936,355	2,277,911

28. Provisions

Unit: RMB'000

Item	*Note*	Balance at 1 January 2014	Additions	Provisions utilized	Balance at 31 October 2014
Provisions for warranties	(1)	535,900	473,897	400,427	609,370
Onerous contract		122,054	109,907	156,833	75,128
Expense incurred for factored trade receivables without recourse		156,136	106,995	116,076	147,055
Total		814,090	690,799	673,336	831,553

Unit: RMB'000

Item	Note	Balance at 1 January 2013	Additions	Provisions utilized	Balance at 31 December 2013
Provisions for warranties	(1)	471,558	516,099	451,757	535,900
Onerous contract		56,738	73,105	7,789	122,054
Expense incurred for factored trade receivables without recourse		29,383	152,095	25,342	156,136
Total		557,679	741,299	484,888	814,090

Unit: RMB'000

Item	Note	Balance at 1 January 2012	Additions	Provisions utilized	Balance at 31 December 2012
Provisions for warranties	(1)	483,229	379,329	391,000	471,558
Onerous contract		224	56,514	—	56,738
Expense incurred for factored trade receivables without recourse		33,308	40,553	44,478	29,383
Total		516,761	476,396	435,478	557,679

(1) The Group provides quality after-sale service guarantees on the sales, maintenance and reform of locomotive, vehicles, and accessory spare parts, responsible for repairing and replacement of the products under warranty periods. The warranty provisions for the products above are accrued based on the Group's practise of historical repairs and returns with undertaken for service provided through the reporting period and prior years.

29. Non-current liabilities due within one year

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Bank loan:			
Unsecured	1,790,000	—	350,000
Others	3,919	4,011	6,282
Total	1,793,919	4,011	356,282

As at 31 October 2014, the Group's bank loans due within one year is unsecured bank loan from the Export-Import Bank of China. Maturities of such bank loans are 9 January 2015 with amount of RMB500 million and 22 July 2015 with amount of RMB1.29 billion respectively, respect to both interest rate of 4.20% per annum.

30. Other current liabilities

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Short-term inter-bank corporate bonds	16,980,972	9,994,357	13,984,474

(1) Summarized information of short-term inter-bank corporate bonds is set out as follows:

As at 31 October 2014, summarized information of short-term inter-bank corporate bonds is set out as follows:

Unit: RMB'000

Debenture	Face value	Issuance date	Maturity period (days)	Issuance amount	Interest payable at the beginning of the period	Interest accrued during the period	Interest paid during the period	Interest payable at the end of the period	Balance at the end of the period
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2013 Phase 2	2,000,000	2013/4/18	270	2,000,000	51,986	3,493	55,479	—	—
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2013 Phase 4	2,000,000	2013/7/17	180	2,000,000	40,931	3,452	44,383	—	—
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2013 Phase 6	2,000,000	2013/10/28	270	2,000,000	18,296	60,115	78,411	—	—
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2013 Phase 1	4,000,000	2013/2/19	365	4,000,000	140,053	22,747	162,800	—	—
China CNR Corporation Limited Super and Short-term Financing Bills for 2014 Phase 1	2,000,000	2014/1/24	90	2,000,000	—	28,751	28,751	—	—
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2014 Phase 2	2,000,000	2014/1/27	180	2,000,000	—	56,219	56,219	—	—
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2014 Phase 3	2,000,000	2014/2/19	180	2,000,000	—	54,247	54,247	—	—
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2014 Phase 4	2,000,000	2014/4/24	270	2,000,000	—	50,236	—	50,236	1,998,682

Unit: RMB'000

Debenture	Face value	Issuance date	Maturity period (days)	Issuance amount	Interest payable at the beginning of the period	Interest accrued during the period	Interest paid during the period	Interest payable at the end of the period	Balance at the end of the period
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2014 Phase 5	2,000,000	2014/5/16	270	2,000,000	—	42,751	—	42,751	1,998,556
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2014 Phase 6	2,000,000	2014/7/28	270	2,000,000	—	24,726	—	24,726	1,997,083
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2014 Phase 7	2,000,000	2014/8/6	270	2,000,000	—	21,425	—	21,425	1,996,917
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2014 Phase 8	2,000,000	2014/8/15	270	2,000,000	—	19,110	—	19,110	1,996,780
China CNR Corporation Limited Super and Short-term Financing Bills for 2014 Phase 9	1,000,000	2014/8/22	270	1,000,000	—	8,756	—	8,756	998,317
China CNR Corporation Limited Short-term Inter-bank corporate bonds for 2014 Phase 1	3,000,000	2014/2/21	365	3,000,000	—	113,014	—	113,014	2,997,637
China CNR Corporation Limited Short-term Inter-bank corporate bonds for 2014 Phase 2	3,000,000	2014/3/26	365	3,000,000	—	95,400	—	95,400	2,997,000
Total	33,000,000	—	—	33,000,000	251,266	604,442	480,290	375,418	16,980,972

As at 31 December 2013, summarized information of short-term inter-bank corporate bonds is set out as follows:

Unit: RMB'000

Bonds	Face value	Issuance date	Maturity period (days)	Issuance amount	Interest payable at the beginning of the year	Interest accrued during the year	Interest paid during the year	Interest payable at the end of the year	Balance at the end of the year
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2012 Phase 1	2,000,000	2012/7/27	270	2,000,000	30,110	21,671	51,781	—	—
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2012 Phase 2	2,000,000	2012/8/28	180	2,000,000	26,926	11,540	38,466	—	—
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2012 Phase 3	2,000,000	2012/9/18	270	2,000,000	24,107	37,882	61,989	—	—
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2012 Phase 4	2,000,000	2012/9/26	180	2,000,000	22,323	19,102	41,425	—	—
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2012 Phase 5	2,000,000	2012/10/18	270	2,000,000	16,849	43,809	60,658	—	—

Unit: RMB'000

Bonds	Face value	Issuance date	Maturity period (days)	Issuance amount	Interest payable at the beginning of the year	Interest accrued during the year	Interest paid during the year	Interest payable at the end of the year	Balance at the end of the year
China CNR Corporation Limited Short-term Inter-bank corporate bonds for 2012 Phase 1	4,000,000	2012/6/12	365	4,000,000	75,044	60,556	135,600	—	—
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2013 Phase 1	2,000,000	2013/3/21	270	2,000,000	—	58,438	58,438	—	—
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2013 Phase 2	2,000,000	2013/4/22	270	2,000,000	—	51,986	—	51,986	1,999,717
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2013 Phase 3	2,000,000	2013/6/8	180	2,000,000	—	39,452	39,452	—	—
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2013 Phase 4	2,000,000	2013/7/19	180	2,000,000	—	40,931	—	40,931	1,999,767
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2013 Phase 5	2,000,000	2013/7/26	90	2,000,000	—	23,178	23,178	—	—
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2013 Phase 6	2,000,000	2013/10/30	270	2,000,000	—	18,296	—	18,296	1,996,550
China CNR Corporation Limited Short-term Inter-bank corporate bonds for 2013 Phase 1	4,000,000	2013/2/21	365	4,000,000	—	140,053	—	140,053	3,998,323
Total	30,000,000	—	—	30,000,000	195,359	566,894	510,987	251,266	9,994,357

As at 31 December 2012, Summarized information of short-term inter-bank corporate bonds is set out as follows:

Unit: RMB'000

Bonds	Face value	Issuance date	Maturity period (days)	Issuance amount	Interest payable at the beginning of the year	Interest accrued during the year	Interest paid during the year	Interest payable at the end of the year	Balance at the end of the year
China CNR Corporation Limited Short-term Inter-bank corporate bonds for 2011 Phase 1	4,000,000	2011/3/31	365	4,000,000	131,573	41,952	173,525	—	—
China CNR Corporation Limited Short-term Inter-bank corporate bonds for 2011 Phase 2	2,000,000	2011/7/22	366	2,000,000	46,317	57,683	104,000	—	—
China CNR Corporation Limited Short-term Inter-bank corporate bonds for 2011 Phase 3	2,000,000	2011/10/27	366	2,000,000	19,583	89,016	108,599	—	—
China CNR Corporation Limited Short-term Inter-bank corporate bonds for 2012 Phase 1	4,000,000	2012/6/12	365	4,000,000	—	75,044	—	75,044	3,994,641
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2012 Phase 1	2,000,000	2012/7/27	270	2,000,000	—	30,110	—	30,110	1,998,116
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2012 Phase 2	2,000,000	2012/8/28	180	2,000,000	—	26,926	—	26,926	1,999,100
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2012 Phase 3	2,000,000	2012/9/18	270	2,000,000	—	24,107	—	24,107	1,997,250
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2012 Phase 4	2,000,000	2012/9/26	180	2,000,000	—	22,323	—	22,323	1,998,617
China CNR Corporation Limited Super and Short-term Inter-bank corporate bonds for 2012 Phase 5	2,000,000	2012/10/18	270	2,000,000	—	16,849	—	16,849	1,996,750
Total	22,000,000	—	—	22,000,000	197,473	384,010	386,124	195,359	13,984,474

31. Long-term loans

(1) Long-term loans by category

Unit: RMB'000

		As at 31 October 2014			As at 31 December 2013			As at 31 December 2012		
		Original	Exchange		Original	Exchange		Original	Exchange	
Item	**Currency**	**currency**	**rate**	**RMB**	**currency**	**rate**	**RMB**	**currency**	**rate**	**RMB**
Loans from related party:										
Unsecured	RMB	—	—	—	—	—	—	—	—	5,500
Bank loans:										
Unsecured	RMB	—	—	775,000	—	—	1,390,000	—	—	—
Unsecured	EUR	2,409	7.7377	18,637	2,409	8.4189	20,277	2,409	8.3176	20,033
Other loans:										
Guaranteed	RMB	—	—	5,000	—	—	5,000	—	—	—
Total		—	—	798,637	—	—	1,415,277	—	—	25,533

As at 31 October 2014, 31 December 2013 and 31 December 2012, there were no overdue loans in the long-term loans.

(2) Details of long-term loans

Unit: RMB'000

					As at 31 October 2014		As at 31 December 2013		As at 31 December 2012	
Lender	**Inception date**	**Maturity date**	**Currency**	**Interest rate (%)**	**Original currency**	**RMB**	**Original currency**	**RMB**	**Original currency**	**RMB**
China Development Bank	2005/01/26	2039/01/26	EUR	0.20%	2,409	18,637	2,409	20,277	2,409	20,033
Shanxi Investments Group	2013/12/21	2016/12/20	RMB	3.20%	—	5,000	—	5,000	—	—
The Export-Import Bank of China	2014/03/28	2016/03/26	RMB	4.20%		540,000	—	—	—	—
The Export-Import Bank of China	2014/06/11	2016/03/26	RMB	4.20%	—	210,000	—	—	—	—
Wu Han Huang Pi Branch of Bank of China	2014/08/20	2017/08/20	RMB	6.15%	—	15,000	—	—	—	—
Wu Han Huang Pi Branch of China Construction Bank	2014/10/20	2019/10/20	RMB	6.40%	—	10,000	—	—	—	—

Unit: RMB'000

Lender	Inception date	Maturity date	Currency	Interest rate (%)	As at 31 October 2014 Original currency	As at 31 October 2014 RMB	As at 31 December 2013 Original currency	As at 31 December 2013 RMB	As at 31 December 2012 Original currency	As at 31 December 2012 RMB
Hei Longjiang Branch of Export-Import Bank of China	2013/02/18	2015/01/09	RMB	4.20%	—	—	—	200,000	—	—
Hei Longjiang Branch of Export-Import Bank of China	2013/04/01	2015/01/09	RMB	4.20%	—	—	—	150,000	—	—
Hei Longjiang Branch of Export-Import Bank of China	2013/08/26	2015/01/09	RMB	4.20%	—	—	—	150,000	—	—
The Export-Import Bank of China	2013/07/23	2015/07/22	RMB	4.20%	—	—	—	400,000	—	—
The Export-Import Bank of China	2013/07/23	2015/07/22	RMB	4.20%	—	—	—	490,000	—	—
CNRG	2011/11/09	2016/11/09	RMB	5.76%	—	—	—	—	—	5,500
Total						798,637		1,415,277		25,533

32. Bonds payable

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Medium-term notes	3,973,227	—	—

(1) Summarized information of medium-term notes is set out as follows:

Unit: RMB'000

Bonds	Face value	Issuance date	Maturity period (year)	Issuance amount	Interests payable at the beginning of the period	Interest accrued during the period	Interest paid during the period	Interests payable at the end of the period	Balance at the end of the period
China CNR Corporation Limited Medium-term notes for 2014 Phase 1	2,000,000	2014/2/24	3	2,000,000	—	75,041	—	75,041	1,990,728
China CNR Corporation Limited Medium-term notes for 2014 Phase 2	2,000,000	2014/3/17	5	2,000,000	—	71,836	—	71,836	1,982,499
Total	4,000,000	—	—	4,000,000	—	146,877	—	146,877	3,973,227

33. Long-term employee benefits payable

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Early retirement benefit plan	161,719	201,181	285,225
Post-employment benefits — defined benefit plan liabilities	2,055,781	1,930,058	1,944,495
Others	52,571	38,752	39,864
Total	2,270,071	2,169,991	2,269,584

The Group provided defined benefit plan-supplementary retirement benefits to employees retiring on or before 31 December 2007.

(1) The amounts of early retirement benefit plan and supplementary retirement benefit plan recognised in the financial statements and their changes are set out as follows:

Unit: RMB'000

Item	Ten months ended 31 October 2014	For the year ended 31 December 2013
Opening balance	2,378,757	2,494,331
Benefit cost recognised in other comprehensive income:		
— Impact of changes in economic assumptions on revaluation	173,132	(219,797)
— Impact of adjustments in other experience on revaluation	(5,341)	204,897
Sub-total	167,791	(14,900)

Unit: RMB'000

Item	Ten months ended 31 October 2014	For the year ended 31 December 2013
Benefit cost recognised in income statement:		
— General and administrative expenses (cost of services provided previously)	(6,745)	110,387
— Financial expenses (net interest expense)	89,739	89,753
Sub-total	82,994	200,140
Total amount of benefits actually paid during the period/year	186,440	300,814
Employee benefits payable (current liabilities)	225,602	247,518
Employee benefits payable (non-current liabilities)	2,217,500	2,131,239
Closing balance	2,443,102	2,378,757
Of which: Early retirement benefit plan	218,198	273,991
Supplementary retirement benefit plan	2,224,904	2,104,766

(2) Actuarial assumptions and sensitivity analysis

The employee benefit obligations were determined based on actuarial valuation performed by Mercer Consulting a member of the Society of the United States of America, using the projected unit credit method. The significant actuarial assumptions are as follow:

Item	31 October 2014	31 December 2013	31 December 2012
Discount rate	3.5%-4.0%	4.4%-4.8%	3.1%-3.9%
Welfare annual growth rate	8.00%-9.50%	8.00%-9.50%	8.00%-9.50%
Growth rate of medical expense	7.00%	7.00%-8.00%	7.00%-9.00%
The average life expectancy	*Reference in 2005 China Life Insurance Mortality Table (2000-2003)*		

The below analysis shows how the defined benefit obligations would have increased/(decreased) as a result of 0.5% change in the significant actuarial assumptions :

Item	31 October 2014	31 December 2013	31 December 2012
Discount rate decreases by 0.5%	125,060	111,075	127,957
Discount rate increases by 0.5%	(113,775)	(101,158)	(116,472)
Growth rate decreases by 0.5%	(112,830)	(101,233)	(120,732)
Growth rate increases by 0.5%	122,594	109,982	121,337

34. Deferred income

Unit: RMB'000

Item	Balance at 1 January 2014	Additions during the period	Recognition as non-operating income	Transfer to others	Balance at 31 October 2014
Deferred income					
Government grants related to assets					
Government grants for research and development	750,907	5,101	33,104	436	722,468
Government grants for loan's interest	279,841	32,597	6,841	—	305,597
Relocation compensation income	733,740	—	32,722	—	701,018
Others	820,741	21,239	12,199	—	829,781
Government grants related to income					
Government grants for research and development	212,424	131,106	55,295	2,378	285,857
Government grants for loan's interest	2,793	11,236	11,677	—	2,352
Relocation compensation income	37,140	—	622	—	36,518
Others	7,851	36,985	37,771	—	7,065
Others	33,113	37,939	—	—	71,052
Total	2,878,550	276,203	190,231	2,814	2,961,708

Unit: RMB'000

Item	Balance at 1 January 2013	Additions during the year	Recognition as non-operating income	Transfer to others	Balance at 31 December 2013
Deferred income					
Government grants related to assets					
Government grants for research and development	703,561	96,960	49,393	221	750,907
Government grants for loan's interest	202,626	88,786	11,571	—	279,841
Relocation compensation income	773,286	—	39,546	—	733,740
Others	812,605	32,217	24,081	—	820,741
Government grants related to income					
Government grants for research and development	146,358	160,711	90,320	4,325	212,424
Government grants for loan's interest	5,301	2,267	4,775	—	2,793
Relocation compensation income	—	37,140	—	—	37,140
Others	1,341	99,536	93,026	—	7,851
Others	—	33,113	—	—	33,113
Total	2,645,078	550,730	312,712	4,546	2,878,550

Unit: RMB'000

Item	Balance at 1 January 2012	Additions during the year	Recognition as non-operating income	Transfer to others	Balance at 31 December 2012
Deferred income					
Government grants related to assets					
Government grants for research and development	715,059	22,348	33,846	—	703,561
Government grants for loan's interest	83,186	129,001	9,561	—	202,626
Relocation compensation income	812,552	2,615	41,881	—	773,286
Others	521,708	312,573	21,676	—	812,605
Government grants related to income					
Government grants for research and development	180,915	292,266	321,713	5,110	146,358
Government grants for loan's interest	2,529	6,154	3,382	—	5,301
Others	5,107	10,008	13,774	—	1,341
Total	2,321,056	774,965	445,833	5,110	2,645,078

35. Share capital

Unit: RMB'000

	Balance at 1 January 2014				Balance at 31 October 2014	
	Number of shares *('000)*	Percentage	Increase	Decrease	Number of shares *('000)*	Percentage
Shares subject to trading moratorium						
— Shares held by state-owned legal person shares	8,606	0.08%	—	8,606	—	—
Subtotal	8,606	0.08%	—	8,606	—	—
Shares not subject to trading moratorium:						
— Ordinary shares denominated in RMB	10,311,450	99.92%	8,606	193,972	10,126,084	82.60%
— Overseas listed foreign shares	—	—	2,133,696	—	2,133,696	17.40%
Subtotal	10,311,450	99.92%	2,142,302	193,972	12,259,780	100.00%
Total	10,320,056	100.00%	2,142,302	202,578	12,259,780	100.00%

Unit: RMB'000

	Balance at 1 January 2013				Balance at 31 December 2013	
	Number of shares *('000)*	Percentage	Increase	Decrease	Number of shares *('000)*	Percentage
Shares subject to trading moratorium:						
— Shares held by state-owned legal person shares	—	—	8,606	—	8,606	0.08%
— Other shares held	67	—	—	67	—	—
Subtotal	67	—	8,606	67	8,606	0.08%
Shares not subject to trading moratorium:						
— Ordinary shares denominated in RMB	10,319,989	100.00%	67	8,606	10,311,450	99.92%
— Overseas listed foreign shares	—	—	—	—	—	—
Subtotal	10,319,989	100.00%	67	8,606	10,311,450	99.92%
Total	10,320,056	100.00%	8,673	8,673	10,320,056	100.00%

Unit: RMB'000

	Balance at 1 January 2012				Balance at 31 December 2012	
	Number of shares *('000)*	Percentage	Increase	Decrease	Number of shares *('000)*	Percentage
Shares subject to trading moratorium:						
— Shares held by state-owned legal person shares	5,751,102	69.29%	1,437,776	7,188,878	—	—
— Other shares held	695	0.01%	173	801	67	—
Subtotal	5,751,797	69.30%	1,437,949	7,189,679	67	—
Shares not subject to trading moratorium:						
— Ordinary shares denominated in RMB	2,548,203	30.70%	7,771,786	—	10,319,989	100.00%
— Overseas listed foreign shares	—	—	—	—	—	—
Subtotal	2,548,203	30.70%	7,771,786	—	10,319,989	100.00%
Total	8,300,000	100.00%	9,209,735	7,189,679	10,320,056	100.00%

According to Zheng Jian Xu Ke [2012] No.184 ("The Official Approval about China CNR Corporation Limited Share Allotment") issued by CSRC, the Company has offered the shares on the basis of 2.5 shares for every 10 existing shares held to all shareholders whose names appeared on the register of members of the Company, and the par value of share was RMB1.00 each. The Company's registered capital and share capital both increased to RMB10,320.06 million as the results of the capitalisation issue. KPMG Huazhen (Special General Partnership) verified the above paid-in capital, and issued related capital verification report on 6 March 2012, numbered KPMG-A (2012) CRNo.0008.

According to Zheng Jian Xu Ke [2014] 404 ("The Official Approval about China CNR Corporation Limited Global Offering") issued by CSCR on 14 April 2014 and approved by SEHK, the Company completed its global offering of 1,821,200,000 H ordinary shares with nominal value of RMB 1.00 each were issued at a price of HKD 5.17 per share , and the H shares have since then been listed on Hong Kong Listing Main Board from 22 May 2014. On 13 June 2014, in connection with the partially exercise of the Over-allotment Option, 118,524,000 H ordinary shares with nominal value of RMB 1.00 each were issued at a price of HKD 5.17 per share by the Company. Meanwhile, relevant state-owned shareholders of the Company transferred 193,972,400 A Shares to National Council for Social Security Fund of the PRC ("NSSF") after the partly exercise of the Over-allotment Option and such A shares converted into H listed shares. Upon completion, the Company's registered capital and share capital both increased to RMB 12,259.78million.

36. Capital reserve

Unit: RMB'000

Item	Balance at 1 January 2014	Increase	Decrease	Balance at 31 October 2014
Share premiums	15,736,129	5,790,358	—	21,526,487
Other capital reserves	85,905	—	21,770	64,135
Of which:				
Equity-settled share-based payments	38,238	—	21,735	16,503
Others	47,667	—	35	47,632
Total	15,822,034	5,790,358	21,770	21,590,622

Unit: RMB'000

Item	Balance at 1 January 2013	Additions during the year	Reductions during the year	Balance at 31 December 2013
Share premiums	15,822,236	—	86,107	15,736,129
Other capital reserves	38,845	47,879	819	85,905
Of which:				
Equity-settled share-based payments	5,343	32,895	—	38,238
Others	33,502	14,984	819	47,667
Total	15,861,081	47,879	86,926	15,822,034

Unit: RMB'000

Item	Balance at 1 January 2012	Additions during the year	Reductions during the year	Balance at 31 December 2012
Share premiums	10,903,093	4,919,143	—	15,822,236
Other capital reserves	26,259	12,586	—	38,845
Of which:				
Equity-settled share-based payments	—	5,343	—	5,343
Others	26,259	7,243	—	33,502
Total	10,929,352	4,931,729	—	15,861,081

In 2013, the Company's subsidiary, CNR Xi'an, acquired the operating business of CNR Xi'an Rolling Stock Works, an entity under common control with the Company. As a result of the business combination, the share premiums recognized in the capital reserve were reduced by RMB 102.24 million.

37. Other comprehensive income

Unit: RMB'000

Item	Changes due to remeasurement of net liability of defined benefit plans	Gains from changes in fair value of available-for-sale financial assets	Exchange differences on translation of financial statements denominated in foreign currencies	Total
Balance at 1 January 2012	(338,076)	8,565	—	(329,511)
Changes for the year	(34,151)	5,346	—	(28,805)
Balance at 31 December 2012	(372,227)	13,911	—	(358,316)
Changes for the year	15,275	4,135	(98)	19,312
Balance at 31 December 2013	(356,952)	18,046	(98)	(339,004)
Changes for the period	(167,810)	9,935	809	(157,066)
Balance at 31 October 2014	(524,762)	27,981	711	(496,070)

38. Specific reserve

The Group formulated the "Administrative Measurements on the Appropriation and Use of Enterprise Safety Production Expenses of China CNR Corporation Limited" in accordance with the "Administrative Measurements on the Appropriation and Use of Enterprise Safety Production Expenses (Cai Qi[2012]No.16) issued by the of Administration of Work Safety of the Ministry of Finance. Pursuant to the proportion and scope of use set out in "Administrative Measurements on the Appropriation and Use of Enterprise Safety Production Expenses of China CNR Corporation Limited", the Group appropriated specific reserve based on the revenue from sales of machinery products in the previous years and then utilize specific reserves when necessary.

39. Surplus reserve

Unit: RMB'000

Item	Statutory surplus reserve	Discretionary surplus reserve	Total
Balance at 1 January 2012	216,058	30,817	246,875
Additions during the year	251,160	—	251,160
Balance at 31 December 2012	467,218	30,817	498,035
Additions during the year	119,499	—	119,499
Balance at 31 December 2013 and 31 October 2014	586,717	30,817	617,534

40. Retained earnings

Unit: RMB'000

Item	Note	Amount		
		Ten months ended 31 October	Years ended 31 December	
		2014	2013	2012
Retained earnings at the beginning of the period/year		11,275,183	8,324,964	5,695,391
Add: Net profits for the period/year attributable to shareholders of the Company		4,455,856	4,128,559	3,399,749
Loss attribute to the original shareholders	(1)	—	6,352	—
Less: Appropriation for statutory surplus reserve		—	119,499	251,160
Reclassification of general risk reserve for acquisition of non-controlling interest without charge in control		3,456	—	—
Appropriation for general risk reserve		—	33,082	1,500
Distribution to shareholders	(2)	2,064,011	1,032,006	516,003
Appropriation for staff bonuses and benefit funds by subsidiaries		39	105	1,513
Retained earnings at the end of period/year		13,663,533	11,275,183	8,324,964

(1) CNR Xi'an, the subsidiary of the Company, acquired a business combination under common control in 2013, and pursuant to the business combination agreement with CNR Xi'an Rolling Stock Works, the operating loss before merger date was attributable to the original shareholder, CNR Xi'an Rolling Stock Works.

(2) Distribution of dividends of ordinary shares declared during the year

For the years ended 31 December 2013, 2012 and 2011, the general meeting of the shareholders of the Company resolved to dividend distribution as follow:

2013		2012		2011	
RMB per share	**Amount** *(RMB'000)*	**RMB per share**	**Amount** *(RMB'000)*	**RMB per share**	**Amount** *(RMB'000)*
0.20	2,064,011	0.10	1,032,006	0.05	516,003

Such cash dividends were paid as at the each end of the reporting period.

(3) Retained earnings at the end of the period

For the ten months ended 31 October 2014 and the years ended 31 December 2013 and 2012, the Company's subsidiaries appropriated surplus reserve of RMB117.21 million, RMB505.64 million and RMB418.62 million, respectively.

As at 31 October 2014, 31 December 2013 and 31 December 2012, the consolidated retained earnings attributable to the shareholders of Company included an appropriation of RMB1,979.47 million, RMB1,869.83 million and RMB1,364.19 million to surplus reserve made by the Company's subsidiaries.

41. Revenue and cost of sales

(1) Revenue and cost of sales

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Revenue from principal activities	73,262,129	95,865,263	91,039,787
Others	1,253,550	1,375,402	1,221,134
Revenue	74,515,679	97,240,665	92,260,921

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Cost of sales from principal activities	59,513,307	79,445,812	78,030,279
Others	528,780	657,581	676,464
Cost of sales	60,042,087	80,103,393	78,706,743

For the ten months ended 31 October 2014 and the years ended 31 December 2013 and 2012, the cost of good sales in the Group's cost of sales is RMB59.64 billion, RMB79.76 billion and RMB78.24 billion, respectively.

(2) Revenue from the top five customers

For the ten months ended 31 October 2014, revenue from the top five customers is as follows:

Unit: RMB'000

Customer	Revenue	Percentage to total revenue (%)
Company 1	41,089,990	55%
Company 2	1,966,689	3%
Company 3	1,584,341	2%
Company 4	1,395,471	2%
Company 5	1,223,653	2%
Total	47,260,144	64%

For the year ended 31 December 2013, revenue from the top five customers is as follows:

Unit: RMB'000

Customer	Revenue	Percentage to total revenue (%)
Company 1	47,290,928	49%
Company 2	3,564,018	4%
Company 3	2,462,539	3%
Company 4	2,048,705	2%
Company 5	2,045,817	2%
Total	57,412,007	60%

For the year ended 31 December 2012, revenue from the top five customers is as follows:

Unit: RMB'000

Customer	Revenue	Percentage to total revenue (%)
Company 1	44,066,699	48%
Company 2	2,469,101	3%
Company 3	1,989,961	2%
Company 4	1,747,954	2%
Company 5	1,638,998	2%
Total	51,912,713	57%

42. Business taxes and surcharges

Unit: RMB'000

Item	Ten months ended 31 October 2014	For the year ended 31 December 2013	2012	Taxation basis and rates
Business tax	45,815	76,110	66,368	3-5% of revenue
City maintenance and construction tax	175,945	319,413	233,462	5-7% of VAT and business tax paid
Education surcharges	124,402	228,083	166,778	3-5% of VAT and business tax paid
Others	3,595	4,224	3,959	—
Total	349,757	627,830	470,567	—

43. Selling and distribution expenses

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Selling expenses	543,389	922,012	596,852
Transportation cost	262,028	361,359	442,534
Staff costs	310,210	323,362	267,459
Others	316,155	411,351	416,114
Total	1,431,782	2,018,084	1,722,959

44. General and administrative expenses

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Research and development expenses	2,190,495	2,790,296	2,589,214
Staff costs	1,592,135	2,175,471	1,676,583
Repair expenses	601,326	685,175	621,678
Depreciation expenses	264,611	259,222	199,503
Amortization of intangible assets	211,076	219,562	197,357
Others	1,140,294	1,515,075	1,381,003
Total	5,999,937	7,644,801	6,665,338

45. Financial expenses

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Interest expenses	1,545,704	1,503,434	1,236,460
Finance charges on obligations under finance leases and interest cost recognized in respect of defined benefit retirement plans	89,739	89,753	139,526
Less: Capitalized interest expenses	205,802	304,695	295,945
Interest income on deposits and others	(554,255)	(329,934)	(122,784)
Net foreign exchange losses	30,690	53,842	1,183
Other financial expenses	115,196	114,363	100,923
Total	1,021,272	1,126,763	1,059,363

Interest cost recognized in respect of defined benefit retirement plans for the 10 months ended 31 October 2014 and the years of 2013 and 2012 are RMB89,739,000, RMB89,753,000 and RMB89,865,000, respectively. Finance charges on obligations under finance leases for the 10 months ended 31 October 2014 and the years of 2013 and 2012 are RMB0, RMB0 and RMB49,661,000, respectively.

46. Losses/(gains) from changes in fair value

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Financial assets and liabilities at fair value through profit or loss			
— Losses/(gains) from changes in fair value during the period/year	254	4,687	(246)
Include: Losses/(gains) from changes in fair value of derivative financial instruments	254	4,687	(246)
— Transfer to investment income for derecognised financial assets	317	1,382	(1,265)
Total	571	6,069	(1,511)

47. Investment income

(1) Investment income by item

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Income from long-term equity investments	305,421	290,664	238,659
Investment income from available-for-sale financial assets	3,978	5,693	1,744
Income from disposal of long-term equity investments	16,665	1	3,155
Investment income from disposal of available-for-sale financial assets	400	—	—
Investment income/(loss) from disposal of financial assets at fair value through profit or loss	1,021	6,330	(3,275)
Others	—	(51,250)	—
Total	327,485	251,438	240,283

As at each of the balance sheet dates, there was no severe restrictions on the investees' ability to transfer investment income to the Group.

(2) For long-term equity investments, the amount of investment income from an investee accounts for more than 5% of total profits or included in the top five investment income when the amount accounted for less than 5% of total profits, are as follows:

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Toshiba Dalian 大連東芝	98,961	60,980	53,515
ABB Datong 大同 ABB	91,062	55,558	54,944
Hitachi Yonge 日立永濟	77,689	102,889	43,799
Alstom Qingdao 青島阿爾斯通	20,814	19,452	17,487
Tang-che Railway 唐車威奧	16,858	(5,255)	(3,454)

48. Impairment losses

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Receivables	572,702	938,465	113,397
Prepayments	127,416	26,325	11,485
Inventories	28,601	148,260	101,110
Fixed assets	—	1,246	—
Construction in progress	—	—	9,455
Available-for-sale Finance	—	24,727	—
Total	728,719	1,139,023	235,447

49. Non-operating income

(1) Non-operating income by item is as follows:

Unit: RMB'000

Item	Note	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Gains on disposal of non-current assets		5,862	11,882	6,210
Including: Disposal of fixed assets		5,862	11,882	6,093
Disposal of intangible assets		—	—	117
Gains from debt restructuring		200	450	—
Government grants	(2)	238,287	398,810	573,364
External indemnity income		4,400	10,800	9,466
Income from debt exemption		204	1,031	27,971
Others		46,070	29,940	25,832
Total		295,023	452,913	642,843

(2) Summarized information of government grants

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Government grants related to assets			
Government grants for research and development	33,104	49,393	33,846
Government grants for loan's interest	6,841	11,571	9,561
Relocation compensation income	32,722	39,546	41,881
Others	12,199	24,081	21,676
Sub-total	84,866	124,591	106,964
Government grants related to income			
Government grants for research and development	76,972	122,366	437,071
VAT refund	13,386	13,211	3,823
Government grants for loan's interest	12,200	11,164	3,488
Others	50,863	127,478	22,018
Sub-total	153,421	274,219	466,400
Total	238,287	398,810	573,364

50. Non-operating expenses

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Losses on disposal of non-current assets	7,869	22,496	26,862
Including: Disposal of fixed assets	7,869	22,496	26,734
Disposal of intangible assets	—	—	128
Donations provided	4,133	3,771	4,657
Expected contract losses	109,907	73,105	56,514
Fines	2,160	2,870	701
Others	27,169	77,680	41,780
Total	151,238	179,922	130,514

51. Income tax

Unit: RMB'000

Item	*Note*	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Provision for the year/period		1,068,941	1,031,384	637,016
Deferred taxation	(1)	(222,394)	(165,094)	(35,892)
Under-provision in respect of prior years		(3,725)	6,838	1,984
Total		842,822	873,128	603,108

(1) The analysis of changes in deferred tax assets/liabilities is set out below

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Origination and reversal of temporary differences	(222,267)	(164,249)	(33,752)
Recognition of previously unrecognized tax losses	(80)	(845)	(2,140)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	(47)	—	—
Total	(222,394)	(165,094)	(35,892)

(2) Reconciliations between income tax expense and profit before taxation at application tax rate:

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Profits before taxation	5,412,824	5,099,131	4,154,627
National tax on profit before taxation at PRC statutory tax rate	1,353,206	1,274,783	1,038,657
Add: Effect of non-deductible expenses	10,184	66,421	23,374
Income tax effect of unused tax losses not recognised	181,239	98,726	63,899
Effect of research and development expense deduction	(131,592)	(232,376)	(194,968)

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Effect of PRC tax concessions	(513,119)	(434,314)	(255,133)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	(47)	—	—
Effect in respect of share of profits less losses of associates and joint ventures	(81,656)	(74,089)	(60,101)
Income tax effect of temporary differences not recognised	(156)	90,686	12,098
Others	24,763	83,291	(24,718)
Income tax expenses	842,822	873,128	603,108

52. Other comprehensive income

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Other comprehensive income that cannot be reclassified subsequently to profit or loss			
Re-measurement of changes in defined benefit plan liabilities	(167,791)	14,900	(34,742)
Sub-total	(167,791)	14,900	(34,742)

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Other comprehensive income that will be reclassified subsequently to profit or loss			
Gain from changes in fair value of available-for-sale financial assets	11,679	5,160	6,287
Less: Income tax	(1,744)	(1,025)	(941)
Sub-total	9,935	4,135	5,346
Exchange differences on translation of financial statements denominated in foreign currencies	1,223	(98)	—
Sub-total	1,223	(98)	—
Total	(156,633)	18,937	(29,396)

53. Basic earnings per share and diluted earnings per share

(1) Basic earnings per share

Unit: RMB'000

	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Consolidated net profit attributable to ordinary shareholders of the Company	4,455,856	4,128,559	3,399,749
Weighted average number of ordinary shares outstanding	11,363,306	10,320,056	10,063,133
Basic earnings per share (RMB/share)	0.39	0.40	0.34

Weighted average number of ordinary shares is calculated as follows:

Unit: thousand

	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Issued ordinary shares at 1 January	10,320,056	10,320,056	8,300,000
Effect of issued shares	1,043,250	—	1,763,133
Weighted average number of ordinary shares at period/ year end	11,363,306	10,320,056	10,063,133

(2) Diluted earnings per share

Diluted earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company (diluted) by the weighted average number of ordinary shares outstanding (diluted):

Unit: RMB'000

		Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	(a)	4,455,856	4,128,559	3,399,749
Weighted average number of ordinary shares outstanding (diluted)	(b)	11,363,306	10,325,977	10,063,231
Diluted earnings per share (RMB/share)		0.39	0.40	0.34

(a) Consolidated net profit attributable to ordinary shareholders of the Company (diluted) is calculated as follows:

Unit: RMB'000

	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Consolidated net profit attributable to ordinary shareholders of the Company	4,455,856	4,128,559	3,399,749
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	4,455,856	4,128,559	3,399,749

(b) Weighted average number of the Company's ordinary shares (diluted) is calculated as follows:

Unit: thousand

	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Weighted average number of ordinary shares at period/year end	11,363,306	10,320,056	10,063,133
Diluted adjustments			
Effect of share options	—	5,921	98
Weighted average number of ordinary shares (diluted) at period/year end	11,363,306	10,325,977	10,063,231

On 26 October 2012, "China CNR Corporation Limited Share Option Scheme" (the "Share Option Scheme") which was effective from 1 November 2012 was approved at the general meeting. The eligible participants of the Share Option Scheme included the Company and subsidiaries' directors, senior management (independent non-executive directors and supervisors excluded), and key technical personnel and management personnel who have direct contribution to the performance and continuing development of the Group.

54. Notes to cash flow statement

(1) Cash received relating to other operating activities

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Government grants	227,383	406,925	408,144
Interest income	166,950	167,676	104,817
Net increase in customer deposits of CNR Finance	—	422,190	—
Net decrease in deposit reserve placed with the central bank	84,599	—	
Others	82,669	9,657	156,186
Total	561,601	1,006,448	669,147

(2) Cash paid relating to other operating activities

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Research and development expenses	(1,440,431)	(1,981,513)	(1,075,092)
Payment of expenses related to retirees	(117,597)	(191,003)	(198,273)
Travel expenses	(137,198)	(168,270)	(153,814)
Warranties paid (Provisions)	(400,428)	(451,757)	(391,000)
Administrative expenses	(69,163)	(100,991)	(112,988)
Operating expenses	(54,406)	(66,784)	(216,785)
Bank charges	(77,853)	(59,743)	(70,727)
Net decrease in customer deposits of CNR Finance	(34,820)	—	—
Net increase in deposit reserves placed with the central bank	—	(803,959)	—
Others	(976,439)	(525,143)	(764,670)
Total	(3,308,335)	(4,349,163)	(2,983,349)

(3) Cash received relating to other investing activities

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Government grants related to assets	58,937	217,160	428,419
Net cash generated from THsoft InfoTech	—	—	16,441
Partial recovery of investment in Shenyang Locomotive	—	—	65,559
Others	—	2,490	—
Total	58,937	219,650	510,419

(4) Cash paid relating to other financing activities

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Issuance costs of corporate financing bonds	(65,500)	(31,432)	(12,000)
Costs of the Company's share issuance and listing in Hong Kong	(34,354)	—	—
Issuance costs of the Company's share placement	—	—	(5,673)
Payment for sale and leaseback of fixed assets during the year	—	—	(839,538)
Acquisition of non-controlling interests	(110,660)	(6,289)	—
Total	(210,514)	(37,721)	(857,211)

55. Supplementary information on cash flow statement

(1) Supplement to cash flow statement

Unit: RMB'000

Supplementary information	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
1. Reconciliation of net profit to cash (used in)/generated from operating:			
Net profit	4,570,002	4,226,003	3,551,519
Add: Impairment provisions for assets	728,719	1,139,023	235,447
Depreciation of fixed assets and investment properties	1,741,263	1,953,697	1,470,695
Amortization of intangible assets	261,874	245,935	250,525
Amortization of long-term deferred expenses	2,053	1,873	2,241
Losses on disposal of fixed assets, investment properties, intangible assets and other long-term assets	2,007	10,614	20,652
Losses/(gains) on changes in fair value	571	6,069	(1,511)
Financial expenses	1,162,845	1,094,504	989,204
Investment income	(327,485)	(251,438)	(240,283)
Increase in deferred tax assets	(222,394)	(165,094)	(35,892)
(Increase)/decrease in inventories	(15,363,592)	5,929,937	6,518,682
Increase in operating receivables	(14,413,111)	(17,953,272)	(8,836,645)
Increase/(decrease) in operating payables	10,095,688	8,402,048	(2,314,318)
Specific reserve	147,989	213,682	180,197
Equity-settled share-based payments	(21,910)	33,202	5,387
Net cash (used in)/generated from operating activities	(11,635,481)	4,886,783	1,795,900

Unit: RMB'000

Supplementary information	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
2. Change in cash and cash equivalents:			
Cash at the end of the period/year	9,826,109	7,114,408	8,379,753
Less: Cash at the beginning of the period/year	7,114,408	8,379,753	5,894,744
Net increase/(decrease) in cash and cash equivalents	2,711,701	(1,265,345)	2,485,009

(2) Details of cash and cash equivalents

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
1. Cash at bank and in hand			
Including: Cash in hand	1,680	1,474	1,388
Bank deposits available on demand	9,824,429	7,112,934	8,378,365
Other monetary fund available on demand	—	—	—
2. Cash equivalents			
Including: Bonds investment with a maturity of three months or less	—	—	—
3. Closing balance of cash and cash equivalents	9,826,109	7,114,408	8,379,753

Note: Cash and cash equivalents disclosed above exclude the amount of cash with restricted usage.

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Summarized information of the parent and ultimate holding company of The Company

Unit: RMB'000

Name	Related party relationship	Entity type	Registered place	Legal representative	Business nature	Registered capital	Shareholding percentage *(%)*	Percentage of voting right *(%)*	Ultimate holding company of the Company	Organisation code
China Northern Locomotive & Rolling Stock Industry (Group) Corporation	The parent and ultimate holding company	State-owned enterprise	Beijing	Cui Dianguo	Manufacturing	11,993,143	54.65%	54.65%	China Northern Locomotive & Rolling Stock Industry (Group) Corporation	710929930

2. Information of the Company's subsidiaries

Please refer to Note IV for information of the Company's subsidiaries.

3. Information on joint ventures and associates of The Group

Please refer to Note V.11 for information of the Group's joint ventures and associates.

4. Information of other key related parties (excluding key management personnel)

Name of other related parties	Related party relationship
CNR (Beijing) Railway Equipment Co. Ltd. 北車 (北京) 軌道裝備有限公司	Under common control
Dalian Locomotive Tianyuan Industrial Company 大連機車天源實業公司	Under common control
CNRG Tianjin Locomotive Machinery Plant 中國北車集團天津機車車輛機械廠	Under common control
CNRG Beijing Nankou Locomotive Machinery Plant 中國北車集團北京南口機車車輛機械廠	Under common control
CNRG Jinan Locomotive Plant 中國北車集團濟南機車車輛廠	Under common control
Datong Locomotive Community Management Centre 大同機車社區管理中心	Under common control
CNRG Tangshan Locomotive Plant 中國北車集團唐山機車車輛廠	Under common control
CNRG Xi'an Locomotive Plant 中國北車集團西安車輛廠	Under common control
CNRG Beijing Feb 7th Locomotive Plant Co. Ltd. 中國北車集團北京二七機車廠有限責任公司	Under common control
Qiqihar Spencer Surface Treatment Equipment Company 齊齊哈爾斯潘塞表面處理設備公司	Other related party
Taiyuan Wanhe Locomotive Accessories Co. Ltd. 太原萬和機車車輛配件有限公司	Other related party
Taiyuan Yingfeng Locomotive Casting Co., Ltd. 太原映豐機車車輛鑄造有限責任公司	Other related party

5 Transactions between the Group/Company and related parties

(a) Purchase of goods/receiving services

The Group

Unit: RMB'000

			Ten months ended 31 October 2014		Years ended 31 December 2013		2012	
Related parties	**Nature of transaction**	**Pricing and decision-making procedure**	**Amount**	**Percentage of the same type of transactions**	**Amount**	**Percentage of the same type of transactions**	**Amount**	**Percentage of the same type of transactions**
CNRG's affiliates	Purchase of goods	Market price	92,943	0.14%	95,037	0.18%	211,365	0.47%
	Purchase of fixed assets	Market price	—	—	26,823	11.50%	178	0.00%
	Purchase of intangible assets	Market price	—	—	29,405	2.44%	—	—
The Group's joint ventures and associates	Purchase of goods	Market price	4,079,399	6.06%	2,728,896	5.04%	3,014,812	6.65%
Other related parties	Purchase of goods	Market price	135,431	0.20%	133,476	0.25%	153,804	0.34%
Key management personnel	Remuneration	Market price	6,936	—	13,371	—	10,935	—

The Company

Unit: RMB'000

			Ten months ended 31 October 2014		Years ended 31 December 2013		2012	
Related parties	*Nature of transaction*	*Pricing and decision-making procedure*	*Amount*	**Percentage of the same type of transactions**	**Amount**	**Percentage of the same type of transactions**	**Amount**	**Percentage of the same type of transactions**
The Company's subsidiaries	Purchase of goods	Market price	—	—	1,561,287	91.09%	14,297	8.63%
	Receiving services	Market price	29,042	96.81%	105,337	100.00%	90,964	100.00%
	Purchase of intangible assets	Market price	—	—	—	—	3,859	0.48%

(b) Sale of goods/rendering of services

The Group

Unit: RMB'000

			Ten months ended 31 October 2014		Years ended 31 December 2013		2012	
Related parties	**Nature of transaction**	**Pricing and decision-making procedure**	**Amount**	**Percentage of the same type of transactions**	**Amount**	**Percentage of the same type of transactions**	**Amount**	**Percentage of the same type of transactions**
CNRG's affiliates	Sale of goods	Market price	51,591	0.07%	63,238	0.07%	37,642	0.04%
The Group's joint ventures and associates	Sale of goods	Market price	166,698	0.22%	246,190	0.25%	252,635	0.27%
Other related parties	Sale of goods	Market price	129,661	0.17%	190,187	0.20%	221,802	0.24%

The Company

Unit: RMB'000

			Ten months ended 31 October 2014		Years ended 31 December 2013		2012	
Related parties	**Nature of transaction**	**Pricing and decision-making procedure**	**Amount**	**Percentage of the same type of transactions**	**Amount**	**Percentage of the same type of transactions**	**Amount**	**Percentage of the same type of transactions**
The Company's subsidiaries	Sales of goods	Market price	—	—	266,048	12.61%	171,475	46.32%

(c) Other related transactions

The Group

Unit: RMB'000

		Ten months ended 31 October 2014		Years ended 31 December 2013		2012	
Related parties	*Nature of transaction*	*Amount*	*Percentage of the same type of transactions*	*Amount*	*Percentage of the same type of transactions*	*Amount*	*Percentage of the same type of transactions*
CNRG	Net interest expenses	25,621	1.84%	1,379	0.13%	5,979	0.55%
	Net (decrease)/increase in deposits received	(81,661)	—	107,411	25.44%	—	—
	Entrusted loans received	—	—	601,980	100.00%	20,000	100.00%
	Repayment of entrusted loans	—	—	—	—	1,200,000	3.00%
	Operating lease expenses	17,961	36.75%	24,305	41.09%	27,060	61.26%
CNRG's affiliates	Net interest expenses	3,647	0.26%	1,927	0.18%	—	—
	Net increase in deposits received	46,841	—	314,779	74.56%	—	—
	Operating lease expenses	9,872	20.20%	8,492	14.36%	—	—

The Company

Unit: RMB'000

		Ten months ended 31 October 2014		Years ended 31 December 2013		2012	
Related parties	*Nature of transaction*	*Amount*	*Percentage of the same type of transactions*	*Amount*	*Percentage of the same type of transactions*	*Amount*	*Percentage of the same type of transactions*
CNRG	Interest expenses	22,367	1.72%	367	0.03%	5,979	0.60%
	Entrusted loans received	—	—	601,980	5.26%	—	—
	Repayment of entrusted loans	—	—	—	—	1,200,000	1.77%
	Operating lease expenses	16,050	100.00%	20,660	99.46%	20,541	99.43%
The Company's subsidiaries	Interest expenses	86,269	6.64%	79,157	6.82%	56,574	5.71%
	Entrusted loans received	4,870,000	100.00%	10,836,000	94.74%	2,993,000	100.00%
	Interest income	1,531,665	95.87%	1,488,422	99.63%	1,278,942	98.89%
	Entrusted loans granted	28,354,410	100.00%	38,778,348	100.00%	38,666,700	100.00%

(d) Guaranty:

The Company

Unit: RMB'000

Related parties	Nature of transaction	Ten months ended 31 October 2014 Amount	Ten months ended 31 October 2014 Percentage of the same type of transactions	Years ended 31 December 2013 Amount	Years ended 31 December 2013 Percentage of the same type of transactions	Years ended 31 December 2012 Amount	Years ended 31 December 2012 Percentage of the same type of transactions
The Company's subsidiaries	Provision of guarantees for bank acceptance bills	3,328,522	100.00%	7,918,779	100.00%	11,291,579	100.00%
	Provision of guarantees for letters of guaranty	3,707,792	100.00%	1,080,973	100.00%	932,694	100.00%
	Provision of guarantees for letters of credit	907,022	100.00%	859,805	100.00%	538,734	100.00%
	Provision of guarantees for loans	6,924	100.00%	30,484	100.00%	—	—

6 Major payables and receivables

(a) Receivables from related parties:

The Group

Unit: RMB'000

Related parties	Item	As at 31 October 2014 Carrying amount	As at 31 October 2014 Provisions for bad and doubtful debts	As at 31 December 2013 Carrying amount	As at 31 December 2013 Provisions for bad and doubtful debts	As at 31 December 2012 Carrying amount	As at 31 December 2012 Provisions for bad and doubtful debts
CNRG's affiliates	Accounts receivable	73,149	1,653	47,139	3,126	24,979	3,711
	Prepayments	3,426	—	4,326	—	—	—
The Group's joint ventures and associates	Bills receivable	14,988	—	4,247	—	12,810	—
	Accounts receivable	247,696	121	329,685	279	173,395	831
	Prepayments	36,068	—	9,794	—	24,412	1,752
	Dividends receivable	15,500	—	20,694	—	—	—
	Other non-current assets	3,856	—	108	—	—	—
	Other receivables	10,012	—	7,963	—	3,343	—
Other related parties	Accounts receivable	111,088	318	45,562	318	24,998	318
	Prepayments	8,373	—	—	—	300	—
	Other non-current assets	6,360	—	36,022	—	16,821	—
	Other receivables	44	—	98	24	59	—

The Company

Unit: RMB'000

Related parties	Item	As at 31 October 2014 Carrying amount	As at 31 October 2014 Provisions for bad and doubtful debts	As at 31 December 2013 Carrying amount	As at 31 December 2013 Provisions for bad and doubtful debts	As at 31 December 2012 Carrying amount	As at 31 December 2012 Provisions for bad and doubtful debts
The Company's subsidiaries	Accounts receivable	—	—	—	—	44,870	5
	Prepayments	8,112	—	—	—	175,790	—
	Dividends receivable	729,181	—	276,198	—	2,149,982	—
	Interests receivable	76,094	—	44,424	—	41,060	—
	Other receivables	12,419	—	10,145	—	—	—
	Other current assets	13,895,240	—	9,028,700	—	9,746,420	—
	Other non-current assets	15,725,212	—	15,760,448	—	10,743,795	—
	Other non-current assets due within 1 year	3,565,425	—	584,650	—	472,505	—

(b) Payables to related parties:

The Group

Unit: RMB'000

Related parties	Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
CNRG	Other payables	42,171	123,487	17,739
	Short-term loans	601,980	601,980	20,000
	Long-term loans	—	—	5,500
	Interests payable	1,013	393	1,009
	Dividends payable	53,623	53,623	53,623
	Bills payable	—	300	—
CNRG's affiliates	Accounts payable	45,222	70,417	98,828
	Advances from customers	—	91,457	—
	Dividends payable	—	119	—
	Other payables	373,701	384,073	21,540
The Group's joint ventures and associates	Bills payable	189,710	173,117	350,861
	Accounts payable	1,251,782	2,190,928	1,226,569
	Advances from customers	40,046	37,413	1,604
	Other payables	4,797	2,777	8,903

Related parties	Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Other related parties	Bills payable	—	25,500	3,340
	Accounts payable	238,936	139,877	110,175
	Dividends payable	18	18	18
	Other payables	14,615	5,025	8,164
	Advances from customers	235	101	—

The Company

Unit: RMB'000

Related parties	Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
CNRG	Interests payable	809	367	—
	Short-term loans	601,980	601,980	—
	Bills payable	—	—	150
The Company's subsidiaries	Accounts payable	—	1,110,763	9,205
	Advances from customers	—	—	10,299
	Other payables	64,947	63,453	447,550
	Interests payable	1,300	2,972	804
	Short-term loans	1,250,000	4,795,000	1,100,000

(c) Guaranty

The Company

Unit: RMB'000

Related parties	Nature of transaction	As at 31 October 2014 Amount	Percentage of the same type of transactions	As at 31 December 2013 Amount	Percentage of the same type of transactions	As at 31 December 2012 Amount	Percentage of the same type of transactions
The Company's subsidiaries	Provision of guarantees for bank acceptance bills	1,494,233	100.00%	3,476,554	100.00%	5,409,947	100.00%
	Provision of guarantees for letters of guaranty	4,889,057	100.00%	2,036,779	100.00%	1,963,620	100.00%
	Provision of guarantees for letters of credit	372,428	100.00%	629,427	100.00%	432,543	100.00%
	Provision of guarantees for loans	25,560	100.00%	50,761	100.00%	20,033	100.00%

VII. SHARE-BASED PAYMENTS

Share-based payments for the ten months ended 31 October 2014 and the years ended 31 December 2013 and 2012 are set out as follows:

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Equity-settled share-based payments	(21,910)	33,202	5,387

On 26 October, 2012, "China CNR Corporation Limited Share Option Scheme" (the "Share Option Scheme") which was effective from 1 November, 2012 was approved at the general meeting. The eligible participants of the Share Option Scheme included the Company and subsidiaries' directors, senior management (independent non-executive directors and supervisors excluded), and key technical personnel and management personnel who have direct contribution to the performance and continuing development of the Group. According to the Share Option Scheme, the eligible participants have the right to subscribe the share option at RMB4.34 per share. On 26 August, 2013, the exercise price of the share option was modified to RMB4.24 per share which was approved by the board of directors. On 29 August 2014, the exercise price of the share option was modified to RMB4.04 per share which was approved by the board of directors.

The Company granted 85,333,500 share options to the participants under the Share Option Scheme to subscribe for 85,333,500 shares. The number of the share options granted accounted for 0.83% of the total number of shares in issue, and have a validity period of 7 years. The share option granted shall become exercisable in three batches after the expiry of the two-year lock-up period from the grant date according to the following effective arrangements:

Percentage Exercisable	**Date for vesting of the relevant percentage of the option**
Lot1: 33% of the total share options granted	The first trading day after the expiration of the 24-month/2-year period following the grant date
Lot2: 33% of the total share options granted	The first trading day after the expiration of the 36-month/3-year period following the grant date
Lot3: 34% of the total share options granted	The first trading day after the expiration of the 48-month/4-year period following the grant date

As at 31 October 2014, 31 December 2013 and 2012, the accumulated amount of equity-settled share-based arrangement in capital reserve is RMB16.68 million, RMB38.59 million and RMB5.39 million respectively, inclusive RMB176 thousand, RMB351 thousand and RMB44 thousand for non-controlling interest to correspondence period. The share option expenses during the period/ year ended 30 October, 2014 and 31 December 2013 and 2012 are RMB29.08 million, RMB33.20 and RMB5.39 million respectively.

As at 31 October 2014, 31 December 2013 and 31 December 2012, no share options granted were exercised or expired.

The fair value of equity-settled share options at the granting date was determined using the Black-Scholes option pricing model.

(1) Fair value of share options and model inputs are as follows:

Unit: RMB

	29 August 2014	26 August 2013	1 November 2012
Fair value of share option	1.3339	1.1308	1.0522
Share price	5.00	4.27	4.01
Exercise price	4.04	4.24	4.34
Expected volatility	31.775%	31.780%	31.206%
Option life	7 years	7 years	7 years
Expected dividends	4.37%	2.21%	1.11%
Risk-free interest rate	3.77%-3.81%	4.62%-4.63%	3.10%-3.26%

(2) Method for determining the best estimation on the number of equity instruments expected to vest:

During the vesting period, the number of share options that is expected to vest is reviewed and corrected, taking into account the updated information (e.g the probability that options will vest). On the vesting date, the estimated number is equal to the number of the options that are vested.

(3) For the 10 months ended 31 October 2014, the Group offset RMB21.91 million of share-based payment. For the years of 2013 and 2012, the Group made share-based payments amounting to RMB33.20 million and RMB5.39 million respectively in return for the services rendered by its employees.

VIII. CONTINGENCIES

As at 31 October 2014, 31 December 2013 and 31 December 2012, the Group did not have any pending or foreseeable litigation or arbitration which might have a significant impact on its financial position and operating results.

IX. COMMITMENTS

1. Capital commitments

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Signed contracts for acquisition of land and buildings which are being or about to be executed	1,789,073	2,018,450	2,576,781
Signed contracts for acquisition of fixed assets which are being or about to be executed	1,257,798	1,159,579	945,007
Others	1,090,883	994,329	48,846
Total	4,137,754	4,172,358	3,570,634

2. Operating lease commitments

As at 31 October 2014, 31 December 2013 and 31 December 2012, the total future minimum lease payments under non-cancellable operating leases of properties and fixed assets were payable as follows:

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Within 1 year (inclusive)	36,730	53,964	43,526
After 1 year but within 2 years (inclusive)	22,741	11,525	32,481
After 2 years but within 3 years (inclusive)	7,969	7,349	7,252
After 3 years	33,037	34,672	37,062
Total	100,477	107,510	120,321

X. SUBSEQUENT EVENTS

- ***Post balance sheet merger event***

The proposal for the merger between the Company and CSR on the principle of equals was approved at the 37th meeting of the second Board of Directors convened on 30 December 2014. Through the merger, CSR and the company propose to build a new company. CSR proposes to issue CSR A Shares and CSR H Shares to share-exchange with the company, CSR will issue its A shares to the A-share shareholders of the Company and its H shares to the H-share shareholders of the Company, which will apply to have the CSR A Shares and CSR H Shares to be issued under the Merger listed and traded on the Shanghai Stock Exchange (SSE) and the Stock Exchange of Hong Kong (SEHK), respectively. The corresponding A shares and H shares of the Company will be written off. The post-merger new company will, at the same time, hold all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR and CNR, through which an equal merger of both parties will be achieved. The realization of the merger depends on the fulfillment of certain prerequisites including the voting results at the general shareholders' meetings, extraordinary A shareholders' class meeting and H shareholders' class meeting to be convened by the Company. As at the approval of these financial statements, the procedures related to the merger of equals are still underway.

XI. OTHER SIGNIFICANT ITEMS

1. Debt restructuring

The Group did not have any major debt restructuring during the periods.

2. Leases

For receivables related to finance leases of the Group, refer to Note V.10.

3. Segment reporting

For management purpose, the Group's operating activities are attributable to a single operating segment, the provision of rolling stock products and services as well as other business that utilize proprietary rolling stock technologies. Therefore, no analysis by operating segment is presented. For the ten months ended 31 October 2014 and the years ended 31 December 2013 and 2012, the Group's revenue derived from outside the PRC were RMB4,315.17 million, RMB7,599.61 million and RMB9,659.24 million, respectively. As at 31 October 2014, 31 December 2013 and 31 December 2012, the balance of non-current assets, which were based on the physical location of assets located outside PRC were RMB41.13 million, RMB37.85 million and RMB19.93 million, respectively.

For the ten months ended 31 October 2014 and the years ended 31 December 2013 and 2012, the Group has one customer, the revenue from which is over 10% of the Group's total operating income. The revenue from this customer represents 55%, 49% and 48% of the Group's total revenue, amounting to RMB41.09 billion, RMB47.29 billion and RMB44.07 billion, respectively.

4. Risk analysis and sensitivity analysis for financial instruments

The Group has exposure to the following risks arise in the normal course of the Group's business:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

This note mainly presents the above risk exposures and their causes, the Group's objectives, policies and processes for measuring and managing risks and their changes during the reporting periods.

The Group aims to seek the appropriate balance between the risks and benefits in order to mitigate the adverse effects on the Group's financial performance from financial risk. Based on such objectives, the Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The internal audit department of the Group undertakes both regular and ad-hoc reviews of risk management controls and procedures.

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank and receivables. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

The Group's major customers are the China Railway Corporation and local railway investment and management companies. Normally, the Group does not obtain collateral from customers. To monitor the Group's credit risk, the Group conducts aging analysis on the information of its customers.

The credit risk exposure of the group is mainly influenced by the individual characteristics of each customer rather than the system factors in the industry, country or area. Therefore, the Group has certain concentrations of credit risk from the significant receivables of some individual customers. The receivables from the five largest debtors as at 31 October 2014, 31 December 2013 and 2012 represented 49%, 52% and 49% of the total trade receivables respectively. In addition, the debtors of the Group that are neither past due nor impaired mainly relate to customers who have no default history.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not provide any other guarantees.

(2) Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations associated with the settlement of financial liabilities. The Group uniformly managed the cash of the Company and its subsidiaries, including short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet the Group liquidity requirements in the short and long term.

The following tables show the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the balance sheet date) and the earliest date the Group can be required to pay:

Unit: RMB'000

	As at 31 October 2014					
	Contractual undiscounted cash flow					
Item	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at balance sheet date
Financial liabilities						
Short-term loans	15,250,897	—	—	—	15,250,897	15,050,848
Accounts payable and other payables	42,074,393	—	—	—	42,074,393	42,069,493
Financial liabilities at fair value through profit or loss	819	—	—	—	819	819
Other current liabilities	17,331,022	—	—	—	17,331,022	16,980,972
Long-term loans (including those due within 1 year)	1,866,475	764,446	32,780	19,354	2,683,055	2,588,637
Debentures payable	300,041	225,103	4,308,021	—	4,833,165	3,973,227
Long-term payables (including those due within 1 year)	338	326	3,876	1,537	6,077	5,206
Sub-total	76,823,985	989,875	4,344,677	20,891	82,179,428	80,669,202

Unit: RMB'000

	As at 31 December 2013					
	Contractual undiscounted cash flow					
Item	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at balance sheet date
Financial liabilities						
Short-term loans	10,787,495	—	—	—	10,787,495	10,614,796
Accounts payable and other payables	30,966,321	—	—	—	30,966,321	30,960,980
Financial liabilities at fair value through profit or loss	1,201	—	—	—	1,201	1,201
Other current liabilities	10,085,147	—	—	—	10,085,147	9,994,357
Long-term loans (including those due within 1 year)	58,581	1,411,508	5,237	21,133	1,496,459	1,415,277
Long-term payables (including those due within 1 year)	338	326	3,876	27,537	32,077	31,206
Sub-total	51,899,083	1,411,834	9,113	48,670	53,368,700	53,017,817

Unit: RMB'000

	As at 31 December 2012					
	Contractual undiscounted cash flow					
Item	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at balance sheet date
Financial liabilities						
Short-term loans	6,055,810	—	—	—	6,055,810	5,760,600
Accounts payable and other payables	25,932,930	—	—	—	25,932,930	25,932,930
Financial liabilities at fair value through profit or loss	9,267	—	—	—	9,267	9,267
Other current liabilities	14,384,985	—	—	—	14,384,985	13,984,474
Long-term loans (including those due within 1 year)	448,089	382	785	20,915	470,171	375,533
Long-term payables (including those due within 1 year)	241	252	813	32,308	33,614	32,551
Sub-total	46,831,322	634	1,598	53,223	46,886,777	46,095,355

(3) Interest rate risk

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure.

(a) As at the balance sheet dates, the Group held the following interest-bearing financial instruments:

Unit: RMB'000

	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Fixed rate instruments:			
Financial assets			
— Cash at bank	4,977,672	6,921,685	6,943,165
Financial liabilities			
— Short-term loans	(5,359,980)	(5,518,012)	(140,600)
— Long-term loans	(23,637)	(25,277)	(25,533)
— Other current liabilities	(16,980,972)	(9,994,357)	(13,984,474)
— Debentures payable	(3,973,227)	—	—
Total	(21,360,144)	(8,615,961)	(7,207,442)

Unit: RMB'000

Item	31 October 2014	31 December 2013	31 December 2012
Variable rate instruments:			
Financial assets			
— Cash at bank	9,824,429	2,410,361	2,084,648
— Non-current assets due within 1 year	4,713,862	4,239,021	1,040,256
— Long-term receivables	7,329,161	7,069,381	4,155,395
Financial liabilities			
— Short-term loans	(9,690,868)	(5,096,784)	(5,620,000)
— Deposit from related parties	(387,370)	(422,190)	—
— Non-current liabilities due within 1 year	(1,790,000)	—	(356,282)
— Long-term loans	(775,000)	(1,390,000)	—
— Long-term payables	(5,206)	(31,206)	(32,551)
Total	9,219,008	6,778,583	1,271,466

(b) Sensitivity analysis

On 31 October 2014, 31 December 2012 and 2013, it is estimated that a general increase of 40 basis points in interest rates of net floating borrowings, with all other variables held constant, the Group's profit after tax and retained profits would have decreased by approximately RMB31.35 million, RMB23.05 million and RMB4.32 million respectively. Other components of consolidated equity would not be affected by the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the statements of financial position date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the statements of financial position date. The impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualized impact on interest expense or income of such a change in interest rates.

The estimated 40 basis points increase or decrease represents management's assessment of a reasonable change in interest rates over the period until the next statements of financial position date. The analysis is performed on the same basis for the entire Relevant Periods.

(4) Foreign currency risk

In respect of cash at bank and in hand, accounts receivables and payables, short-term loans and other assets and liabilities denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(a) The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the each reporting date. Differences resulting from the translation of the Financial Information of foreign operations into the Group's presentation currency are excluded.

Unit: RMB'000

	As at 31 October 2014			
Item	**USD**	**EUR**	**JPY**	**HKD**
Cash at bank and in hand	6,953,846	19,735	1,381	1,455,159
Accounts receivable	396,326	233,625	—	34,600
Financial assets at fair value through profit or loss	—	3,954	—	—
Available-for-sale financial assets	—	—	—	34,490
Financial liabilities at fair value through profit or loss	—	(819)	—	—
Short-term loans	(1,447,972)	(191,611)	(23,287)	(22,998)
Long-term loans	—	(18,637)	—	—
Accounts payable	(89,597)	(43,192)	(8,141)	—
Total balance sheet exposure	5,812,603	3,055	(30,047)	1,501,251
Net balance sheet exposure	5,812,603	3,055	(30,047)	1,501,251

Unit: RMB'000

Item	As at 31 December 2013			
	USD	EUR	JPY	HKD
Cash at bank and in hand	932,968	53,167	119	50,204
Accounts receivable	1,261,182	347,737	—	835
Financial assets at fair value through profit or loss	—	4,907	—	—
Available-for-sale financial assets	—	—	—	35,022
Financial liabilities at fair value through profit or loss	—	(1,201)	—	—
Short-term loans	(1,018,316)	—	—	—
Long-term loans	—	(20,277)	—	—
Accounts payable	(9,233)	(42,646)	(7,152)	(9,442)
Total balance sheet exposure	1,166,601	341,687	(7,033)	76,619
Net balance sheet exposure	1,166,601	341,687	(7,033)	76,619

Unit: RMB'000

Item	As at 31 December 2012			
	USD	EUR	JPY	HKD
Cash at bank and in hand	383,005	90,644	1,575	11,598
Accounts receivable	1,132,020	1,163,704	21	860
Financial assets at fair value through profit or loss	—	19,650	—	—
Available-for-sale financial assets	—	—	—	18,267
Financial liabilities at fair value through profit or loss	—	(9,267)	—	—
Short-term loans	—	—	—	—
Long-term loans	—	(20,033)	—	—
Accounts payable	(106,977)	(280,209)	(9,873)	(12,977)
Total balance sheet exposure	1,408,048	964,489	(8,277)	17,748
Net balance sheet exposure	1,408,048	964,489	(8,277)	17,748

(b) The following are the exchange rates for RMB against foreign currencies applied by the Group:

Item	Average rate			Reporting date mid-spot rate		
	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
USD	6.1215	6.1912	6.2932	6.1461	6.0969	6.2855
EUR	8.0783	8.3683	8.2401	7.7377	8.4189	8.3176
JPY	0.0570	0.0654	0.0771	0.0562	0.0578	0.0730
HKD	0.7894	0.7985	0.8108	0.7925	0.7862	0.8108

(c) Sensitivity analysis

A 5% strengthening/weakening of RMB against the above currencies as at 31 October 2014, 31 December 2012 and 2013 would have increased/decreased the net profit after tax and equity by the amounts shown below. Other components of equity would not be affected by the strengthening/weakening of RMB against foreign currencies:

Unit: RMB'000

Item	Equity	Net profit
For 10 months ended 31 October 2014		
USD (RMB equivalent)	(247,036)	(247,036)
EUR (RMB equivalent)	(130)	(130)
JPY (RMB equivalent)	1,277	1,277
HKD (RMB equivalent)	(63,803)	(63,803)
Total	(309,692)	(309,692)
For the year ended 31 December 2013		
USD (RMB equivalent)	(49,581)	(49,581)
EUR (RMB equivalent)	(14,522)	(14,522)
JPY (RMB equivalent)	299	299
HKD (RMB equivalent)	(3,256)	(3,256)
Total	(67,060)	(67,060)

Item	Equity	Net profit
For the year ended 31 December 2012		
USD (RMB equivalent)	(59,842)	(59,842)
EUR (RMB equivalent)	(40,991)	(40,991)
JPY (RMB equivalent)	352	352
HKD (RMB equivalent)	(754)	(754)
Total	(101,235)	(101,235)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the statements of financial position date and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next statements of financial position date. The analysis is performed on the same basis for the entire Relevant Periods.

(5) Fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at 31 October 2014, 31 December 2013 and 2012.

(a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value as at each balance sheet date across the three levels of the fair value hierarchy. The discrimination of the levels in the fair value hierarchy depend on the lowest level input that is significant to the fair value measurement in its entirety. The levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the period ended 31 October 2014, and the years of 2013 and 2012, there were no significant transfers between instruments in Level 1 and Level 2, nor into or out of the case to Level 3.

During the period ended 31 October 2014, value for financial instruments:

Unit: RMB'000

Assets		**Level 1**	**Level 2**	**Total**
Financial assets at fair value through profit or loss	V.2			
— Derivative financial assets		—	3,954	3,954
Available-for-sale financial assets	V.9	102,508	—	102,508
Financial liabilities at fair value through profit or loss	V.2			
— Derivative financial liabilities		—	819	819

During the year of 2013, value for financial instruments:

Unit: RMB'000

Assets		Level 1	Level 2	Total
Financial assets at fair value through profit or loss	V.2			
— Derivative financial assets		—	4,907	4,907
Available-for-sale financial assets	V.9	90,829	—	90,829
Financial liabilities at fair value through profit or loss	V.2			
— Derivative financial liabilities		—	1,201	1,201

During the year of 2012, value for financial instruments:

Unit: RMB'000

Assets		Level 1	Level 2	Total
Financial assets at fair value through profit or loss	V.2			
— Derivative financial assets		—	19,650	19,650
Available-for-sale financial assets	V.9	78,842	—	78,842
Financial liabilities at fair value through profit or loss	V.2			
— Derivative financial liabilities		—	9,267	9,267

(b) Fair value of other financial instruments (carried at other than fair value)

The Group's financial assets and financial liabilities are carried at amounts not materially different from their fair value as at the balance sheet dates.

(6) Estimation and assumption of fair value

The following summaries the major methods and assumptions used in estimating the fair value of available-for-sale financial assets and financial assets, financial liabilities at fair value through profit or loss.

(a) Equity investment

The fair value of available-for-sale financial assets is based on their quoted market prices at the balance sheet dates.

(b) Derivatives

The fair value of forward exchange contracts is either based on their listed market prices or by discounting the contractual forward price and deducting the current spot rate.

XII. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Cash at bank and in hand

Unit: RMB'000

	As at 31 October 2014			As at 31 December 2013			As at 31 December 2012		
Item	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Cash in hand:									
RMB	—	—	—	—	—	—	—	—	17
Sub-total:	—	—	—	—	—	—	—	—	17
Cash at bank:									
RMB	—	—	389,226	—	—	286,831	—	—	1,163,729
USD	1,042,738	6.1461	6,408,773	15	6.0969	91	17	6.2855	106
HKD	1,809,232	0.7925	1,433,852	—	—	—	—	—	—
Sub-total:	—	—	8,231,851	—	—	286,922	—	—	1,163,835
Total	—	—	8,231,851	—	—	286,922	—	—	1,163,852

As at 31 October 2014, 31 December 2013 and 31 December 2012, the Company had no monetary funds that are restricted in their realization as pledged, guaranteed, blocked, or have risks associated with their recoverability; monetary funds kept overseas was equivalent to RMB2,335.90 million, RMB0 and RMB0 respectively.

2. Accounts receivable

(1) Accounts receivable by customer type:

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Related parties	—	—	44,870
Third parties	—	1,001,871	5,901
Sub-total	—	1,001,871	50,771
Less: Provision for bad and doubtful debts	—	—	39
Total	—	1,001,871	50,732

(2) The aging analysis of accounts receivables is set out as follows:

Unit: RMB'000

Aging	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Within 1 year (inclusive)	—	1,001,871	50,420
Over 1 year but within 2 years (inclusive)	—	—	304
Over 2 years but within 3 years (inclusive)	—	—	47
Sub-total	—	1,001,871	50,771
Less: Provision for bad and doubtful debts	—	—	39
Total	—	1,001,871	50,732

The aging is counted starting from the date when accounts receivable are recognised.

(3) Accounts receivable by category:

Unit: RMB'000

		As at 31 December 2013			
		Carrying amount		Provision for bad and doubtful debts	
Category	*Note*	**Amount**	**Percentage** *(%)*	**Amount**	**Percentage** *(%)*
Collectively assessed for impairment	(4)	1,001,871	100.00%	—	—

Unit: RMB'000

		As at 31 December 2012			
		Carrying amount		Provision for bad and doubtful debts	
Category	*Note*	**Amount**	**Percentage** *(%)*	**Amount**	**Percentage** *(%)*
Collectively assessed for impairment	(4)	50,771	100.00%	39	0.08%

(4) Accounts receivable which are collectively assessed for impairment using the aging analysis method:

Unit: RMB'000

	As at 31 December 2013			As at 31 December 2012		
	Carrying amount			Carrying amount		
Aging	**Amount**	**Percentage** *(%)*	**Provision for bad and doubtful debts**	**Amount**	**Percentage** *(%)*	**Provision for bad and doubtful debts**
Within 1 year (inclusive)	1,001,871	100.00%	—	50,420	99.31%	—
Over 1 year but within 2 years (inclusive)	—	—	—	304	0.60%	30
Over 2 years but within 3 years (inclusive)	—	—	—	47	0.09%	9
Total	1,001,871	100.00%	—	50,771	100.00%	39

The aging is counted starting from the date when accounts receivable are recognised.

(5) Please see Note VI.6 for the details of accounts receivable attributable from related parties.

3. *Dividends receivable*

Unit: RMB'000

Investee	Balance at 1 January 2012	Increase	Decrease	Balance at 31 December 2012	Increase	Decrease	Balance at 31 December 2013	Increase	Decrease	Balance at 31 October 2014	Aging at 31 October 2014	Impairment (Y/N)
CNR Qiqihar Equipment (齊齊哈爾裝備公司)	12,397	611,597	91,000	532,994	150,000	682,994	—	—	—	—	—	—
CNR Harbin (哈爾濱裝備公司)	14,034	—	—	14,034	—	—	14,034	—	—	14,034	Within 6 years	No
CNR Tangshan (唐山客車公司)	15,887	166,500	182,387	—	375,000	375,000	—	—	—	—	—	—
CNR Changchun (長客股份公司)	182,452	917,339	182,452	917,339	—	917,339	—	502,635	—	502,635	Within 1 year	No
CNR Changchun Equipment (長客裝備公司)	55,583	430,000	—	485,583	—	435,656	49,927	—	—	49,927	Within 6 years	No
CNR Dalian (大連機輛公司)	34,770	97,021	131,791	—	186,152	185,000	1,152	—	—	1,152	Within 2 years	No
CNR Beijing Nankou (南口機械公司)	4,374	—	—	4,374	—	—	4,374	—	—	4,374	Within 4 years	No
CNR Construction and Engineering (北車建工公司)	—	—	—	—	95,000	95,000	—	—	—	—	—	—
CNR Tianjin (天津裝備公司)	11,042	165	—	11,207	—	—	11,207	—	—	11,207	Within 6 years	No
CNR Taiyuan (太原裝備公司)	3,419	20,620	19,530	4,509	1,517	5,509	517	—	—	517	Within 2 years	No
Yongji Xinshisu (永濟電機公司)	99,541	70,501	63,000	107,042	104,751	107,042	104,751	—	—	104,751	Within 2 years	No
CNR Jinan (濟南裝備公司)	4	20,246	18,904	1,346	37,703	39,049	—	—	—	—	—	—

Investee	Balance at 1 January 2012	Increase	Decrease	Balance at 31 December 2012	Increase	Decrease	Balance at 31 December 2013	Increase	Decrease	Balance at 31 October 2014	Aging at 31 October 2014	Impairment (Y/N)
CNR Xi'an (西安裝備公司)	3,180	25,268	28,448	—	1,371	1,000	371	—	—	371	Within 2 years	No
CNR Lanzhou (蘭州機車公司)	26,240	6,236	6,930	25,546	9,104	1,215	33,435	—	—	33,435	Within 5 years	No
CNR Import & Export (北車進出口公司)	1,150	7,245	7,320	1,075	13,000	14,075	—	—	—	—	—	—
CNR Logistics (北車物流公司)	—	24,634	24,634	—	49,351	—	49,351	—	49,351	—	—	—
CNR Dalian Institute (大連所公司)	4,889	13,936	11,030	7,795	30,301	37,795	301	—	301	—	—	—
CNR Qingdao Sifang (四方所公司)	12,521	65,089	47,250	30,360	152,500	182,860	—	—	—	—	—	—
CNR Leasing (北車租賃公司)	532	19,765	20,297	—	—	—	—	—	—	—	—	—
CNR CR (北車中鐵軌道裝備公司)	6,778	—	—	6,778	—	—	6,778	—	—	6,778	Within 4 years	No
CNR Finance (北車財務公司)	—	—	—	—	—	—	—	35,750	35,750	—	—	—
Xinyang Amsted Tonghe (信陽同合)	—	15,000	15,000	—	12,000	12,000	—	5,000	5,000	—	—	—
Total	488,793	2,511,162	849,973	2,149,982	1,217,750	3,091,534	276,198	543,385	90,402	729,181	—	—

4. Other current assets

Other current assets of the Company refer to entrusted loans that is commissioned CITIC Bank to grant to its subsidiaries.

In addition the Company's other current assets include value added tax to be deducted.

5. Long-term equity investments

(1) Long-term equity investments by category:

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Investments in subsidiaries	30,335,138	29,541,690	27,308,671
Investments in associates	424,884	452,449	472,296
Sub-total	30,760,022	29,994,139	27,780,967
Less: Provision for impairment	—	—	—
Total	30,760,022	29,994,139	27,780,967

(2) Movements of long-term equity investments in subsidiaries for the period/year are as follows:

Unit: RMB'000

Investee	1 January 2012	Increase/ (decrease)	31 December 2012	Increase/ (decrease)	31 December 2013	Increase/ (decrease)	31 October 2014	Proportion of the ownership interest held by the Company	Proportion of the voting rights held by The Company
CNR Qiqihar Equipment *1 齊齊哈爾裝備公司*1	2,139,387	(23,226)	2,116,161	(2,116,161)	—	—	—	—	—
CNR Qiqihar 北齊車輛公司	—	980,000	980,000	3,223,122	4,203,122	(1,601)	4,201,521	100.00%	100.00%
CNR Changchun Equipment*2 長客裝備公司*2	491,578	189	491,767	(491,767)	—	—	—	—	—
CNR Tangshan 唐山客車公司	2,362,992	1,314,899	3,677,891	2,517	3,680,408	(1,662)	3,678,746	100.00%	100.00%
CNR Changchun 長客股份公司*2	3,652,062	1,076,060	4,728,122	878,509	5,606,631	(2,413)	5,604,218	93.54%	93.54%
CNR Dalian 大連機輛公司	2,163,571	1,500,636	3,664,207	2,133	3,666,340	(1,408)	3,664,932	100.00%	100.00%
CNR Beijing Feb. 7th 二七裝備公司	780,632	4,269	784,901	1,659	786,560	(1,095)	785,465	100.00%	100.00%
CNR Beijing Nankou 南口機械公司	198,852	483,176	682,028	1,083	683,111	(715)	682,396	100.00%	100.00%
CNR Tianjin 天津裝備公司	240,206	45,165	285,371	1,017	286,388	(671)	285,717	100.00%	100.00%
CNR Datong 同車公司	986,837	73,217	1,060,054	1,581	1,061,635	(1,044)	1,060,591	100.00%	100.00%
CNR Taiyuan 太原裝備公司	528,080	52,184	580,264	1,136	581,400	(750)	580,650	100.00%	100.00%
Yongji Xinshisu 永濟電機公司	1,170,426	43,399	1,213,825	1,414	1,215,239	(933)	1,214,306	100.00%	100.00%

*1 On 6 July 2012, the Split and Restructure Plan of Qiqihar Railway Vehicle Equipment Co., Ltd. ("Qiqihar Railway Vehicle Equipment") was approved at the 7th meeting of the Second Board of the Company. The Company set up CNR Qiqihar Railway Rolling Stock Co., Ltd. ("CNR Qiqihar Railway") with some assets held by Qiqihar Railway Vehicle Equipment. The paid-in capital of Qiqihar Railway Vehicle Equipment was reduced correspondingly. The Split and Restructure was completed on 26 December 2012. In October 2013, the Company increased the capital of CNR Qiqihar Railway by injecting its 100% equity interests in Qiqihar Railway Vehicle Equipment and some cash while the business registration procedures were completed on 30 December 2013.

*2 On 16 August 2013, the Company transferred 100% equity interest in its subsidiary, Changchun Railway Vehicle Equipment to another subsidiary, Changchun Railway Vehicle. After the transfer, Changchun Railway Vehicle Equipment became the subsidiary of Changchun Railway, the proportion of CNR Changchun's voting rights held by the Company increased from 93.29% to 93.54%.

Unit: RMB'000

Investee	1 January 2012	Increase/ (decrease)	31 December 2012	Increase/ (decrease)	31 December 2013	Increase/ (decrease)	31 October 2014	Proportion of the ownership interest held by the Company	Proportion of the voting rights held by The Company
CNR Jinan 濟南裝備公司	1,424,766	6,170	1,430,936	1,050	1,431,986	(693)	1,431,293	100.00%	100.00%
CNR Xi'an 西安裝備公司	518,383	6,394	524,777	321,193	845,970	(787)	845,183	100.00%	100.00%
CNR Lanzhou 蘭州機車公司	256,786	36,177	292,963	1,091	294,054	(720)	293,334	100.00%	100.00%
CNR Import & Export 北車進出口公司	48,173	63	48,236	388	48,624	(256)	48,368	100.00%	100.00%
CNR Logistics 北車物流公司	286,048	33	286,081	200	286,281	(132)	286,149	92.00%	92.00%
CNR Dalian Institute 大連所公司	279,659	144	279,803	887	280,690	(585)	280,105	100.00%	100.00%
CNR Qingdao Sifang 四方所公司	866,137	87,156	953,293	964	954,257	(636)	953,621	100.00%	100.00%
CNR Leasing 北車租賃公司	301,426	500,032	801,458	200	801,658	199,868	1,001,526	100.00%	100.00%
CNR CR 北車中鐵軌道裝備公司	10,200	34	10,234	212	10,446	(139)	10,307	51.00%	51.00%
CNR Hong Kong 北車 (香港)	30,715	17	30,732	105	30,837	(69)	30,768	100.00%	100.00%
Shanghai Guifa 上海軌發公司	450,080	—	450,080	20,350	470,430	—	470,430	51.00%	51.00%
CNR Shenyang 沈車公司	669,101	(65,341)	603,760	1,339	605,099	(883)	604,216	100.00%	100.00%
CNR Construction and Engineering 北車建工公司	—	300,048	300,048	294	300,342	(194)	300,148	100.00%	100.00%
THsoft InfoTech 清軟英泰公司	—	29,770	29,770	—	29,770	—	29,770	51.00%	51.00%
CNR Finance 北車財務公司	—	1,000,000	1,000,000	—	1,000,000	109,433	1,109,433	91.66%	91.66%
Changchun Railway Vehicles Technology Development Co., Ltd. 長春軌道客車科技開發有限公司	1,909	—	1,909	—	1,909	—	1,909	25.64%	25.64%
Dalian Electric Traction. 大連電牽公司	—	—	—	378,503	378,503	(49)	378,454	100.00%	100.00%
CNR Southern Co., Ltd. 南方公司	—	—	—	—	—	500,000	500,000	100.00%	100.00%
CNR MA 北車 (美國) 公司	—	—	—	—	—	1,582	1,582	51.00%	51.00%
Total	19,858,006	7,450,665	27,308,671	2,233,019	29,541,690	793,448	30,335,138	—	—

(3) Movements of long-term equity investments in associates for the period/year are as follows:

Unit: RMB'000

Investee	Investment cost	Balance at 1 January 2014	Increase/ (decrease) in investment	Balance at 31 October 2014	Proportion of the ownership interest held by the Company	Proportion of the voting rights held by the Company	Cash dividends declared
Xinyang Amsted Tonghe 信陽同合	42,010	60,089	(1,595)	58,494	10.00%	10.00%	5,000
Tianjin Electric 天津電力	420,000	392,360	(25,970)	366,390	43.75%	43.75%	—
Total	462,010	452,449	(27,565)	424,884			5,000

Unit: RMB'000

Investee	Investment cost	Balance at 1 January 2013	Increase/ (decrease) in investment	Balance at 31 December 2013	Proportion of the ownership interest held by the Company	Proportion of the voting rights held by the Company	Cash dividends declared
Xinyang Amsted Tonghe 信陽同合	42,010	67,324	(7,235)	60,089	10.00%	10.00%	12,000
Tianjin Electric 天津電力	420,000	404,972	(12,612)	392,360	43.75%	43.75%	—
Total	462,010	472,296	(19,847)	452,449			12,000

Unit: RMB'000

Investee	Investment cost	Balance at 1 January 2012	Increase/ (decrease) in investment	Balance at 31 December 2012	Proportion of the ownership interest held by the Company	Proportion of the voting rights held by the Company	Cash dividends declared
Xinyang Amsted Tonghe 信陽同合	42,010	74,879	(7,555)	67,324	10.00%	10.00%	15,000
Tianjin Electric 天津電力	420,000	420,000	(15,028)	404,972	43.75%	43.75%	—
Total	462,010	494,879	(22,583)	472,296	—	—	15,000

Please see Note V.11 for the summarized financial information of the Company's associates.

6. Fixed assets

Unit: RMB'000

	Machinery & equipment	Furniture, fixtures and others	Motor vehicles	Total
Cost				
Balance at 1 January 2012	52,941	2,157	6,687	61,785
Additions during the year	12,545	9,338	—	21,883
Reclassified during the year	(31,917)	31,917	—	—
Balance at 31 December 2012	33,569	43,412	6,687	83,668
Additions during the year	15,522	3,958	632	20,112
Disposal during the year	49,091	3,158	1,195	53,444
Balance at 31 December 2013	—	44,212	6,124	50,336
Additions during the period	—	931	—	931
Balance at 31 October 2014	—	45,143	6,124	51,267
Accumulated depreciation				
Balance at 1 January 2012	15,159	352	918	16,429
Charge for the year	2,511	6,616	806	9,933
Reclassified during the year	(13,952)	13,952	—	—
Balance at 31 December 2012	3,718	20,920	1,724	26,362
Charge for the year	2,755	7,763	814	11,332
Disposal during the year	6,473	1,182	159	7,814
Balance at 31 December 2013	—	27,501	2,379	29,880
Charge for the period	—	5,115	604	5,719
Balance at 31 October 2014	—	32,616	2,983	35,599

	Machinery & equipment	Furniture, fixtures and others	Motor vehicles	Total
Provision for impairment				
Balance at 1 January 2012 and 31 December 2012	—	—	—	—
Charge for the year	1,245	—	—	1,245
Disposal during the year	1,245	—	—	1,245
Balance at 31 December 2013 and 31 October 2014	—	—	—	—
Carrying amounts				
Balance at 31 October 2014	—	12,527	3,141	15,668
Balance at 31 December 2013	—	16,711	3,745	20,456
Balance at 31 December 2012	29,851	22,492	4,963	57,306

As at 31 October 2014, 31 December 2013 and 31 December 2012, there were no significant temporarily idle fixed assets, or fixed assets used as guarantees or pledged as security.

7. Intangible assets

Unit: RMB'000

Item	Land use rights	Others	Total
Cost			
Balance at 1 January 2012	27,312	30,965	58,277
Additions during the year	4,360	30,175	34,535
Balance at 31 December 2012	31,672	61,140	92,812
Additions during the year	—	22,419	22,419
Disposal during the year	31,672	19,181	50,853
Balance at 31 December 2013	—	64,378	64,378
Additions during the period	—	6,585	6,585
Balance at 31 October 2014	—	70,963	70,963
Accumulated amortization			
Balance at 1 January 2012	46	6,200	6,246
Charge for the year	629	6,715	7,344
Balance at 31 December 2012	675	12,915	13,590
Charge for the year	592	11,056	11,648
Disposal during the year	1,267	6,173	7,440
Balance at 31 December 2013	—	17,798	17,798
Charge for the period	—	7,638	7,638
Balance at 31 October 2014	—	25,436	25,436
Carrying amounts			
Balance at 31 October 2014	—	45,527	45,527
Balance at 31 December 2013	—	46,580	46,580
Balance at 31 December 2012	30,997	48,225	79,222

As at 31 October 2014, 31 December 2013 and 31 December 2012, the amounts did not include capitalized borrowing costs, and there were no intangible assets used as guarantees. The Company did not have intangible assets with indefinite useful lives.

8. Non-current assets due within one year and other non-current assets

Non-current assets due within one year and other non-current assets of the Company refer to entrusted loans that the Company commissioned CITIC Bank to grant to its subsidiaries.

9. Short-term loans

Unit: RMB'000

	Currency	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Loans from related parties:				
Unsecured	RMB	1,851,980	5,396,980	1,100,000
Bank loans:				
Unsecured	RMB	9,980,000	6,650,000	4,800,000
Secured	USD	—	987,832	—
	RMB	290,000	—	—
Total		12,121,980	13,034,812	5,900,000

As at 31 October 2014, 31 December 2013 and 31 December 2012, loans from related parties refer to entrusted loans received from CNRG and entrusted loans that the Company commissioned CITIC Bank to concentrated from to its subsidiaries.

10. Advances from customers

(1) Details of advances from customers are as follows:

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Related parties:	—	—	10,299
Third parties:	32,022	23,277	312,215
Total	32,022	23,277	322,514

(2) Please see Note VI.6(b) for the details of advances from related parties.

11. Taxes payable

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Business tax	3,087	871	2,196
Corporate income tax	—	32,541	—
Urban maintenance and construction tax and education surcharges	370	104	263
Individual income tax	2,385	1,041	421
Others	3,867	—	—
Total	9,709	34,557	2,880

12. Other payables

(1) Details of other payables are as follows:

Unit: RMB'000

Item	As at 31 October 2014	As at 31 December 2013	As at 31 December 2012
Operating risk fund	53,256	63,105	66,799
Dividends payable that subsidiaries overpaid	63,453	37,298	11,894
Others	131,188	102,789	446,085
Total	247,897	203,192	524,778

(2) Please see Note VI.6 for the details of advances from related parties.

13. Capital reserve

Unit: RMB'000

Item	Other capital reserves			
	Share premiums	Share-based payments	Others	Total
1 January 2012	13,460,405	—	8,490	13,468,895
Additions during the year	4,853,585	5,387	—	4,858,972
31 December 2012	18,313,990	5,387	8,490	18,327,867
Additions during the year	—	33,202	—	33,202
31 December 2013	18,313,990	38,589	8,490	18,361,069
Additions during the period	5,790,358	(21,910)	—	5,768,448
31 October 2014	24,104,348	16,679	8,490	24,129,517

14. Revenue and operating costs

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Revenue	—	2,110,285	370,215
Costs of sales from principal activities	—	1,733,214	342,940

15. General and administrative expenses

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Research and development expenses	17,448	88,146	92,397
Staff costs	55,909	78,996	64,144
Administrative expenses	12,052	12,830	13,060
Operating lease expenses	16,050	20,772	20,658
Depreciation expenses	5,720	8,459	7,295
Others	36,337	73,386	47,171
Total	143,516	282,589	244,725

16. Net financial gains

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Interest expenses	1,300,040	1,161,196	989,997
Less: Capitalized interests expenses	—	108	1,192
Interest income on deposits and others	(1,597,630)	(1,494,018)	(1,293,268)
Other financial expenses	75,904	56,703	39,043
Total	(221,686)	(276,227)	(265,420)

17. Investment income

(1) Investment income by item

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Income from long-term equity investments in subsidiaries	538,385	1,205,750	2,496,162
Loss from long-term equity investments in associates	(22,565)	(7,847)	(7,583)
Others	—	(26,155)	—
Total	515,820	1,171,748	2,488,579

(2) The following table sets of forth the summarized financial information of the Company's associates:

Unit: RMB'000

	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Xinyang Amsted Tonghe 信陽同合	3,405	4,765	7,445
Tianjin Electric 天津電力	(25,970)	(12,612)	(15,028)
Total	(22,565)	(7,847)	(7,583)

18. Supplementary information on cash flow statement

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
(1) Reconciliation of net profit to cash flows from operating activities:			
Net profit	561,893	1,194,990	2,511,599
Add: Impairment provisions for assets	—	1,394	(39)
Depreciation of fixed assets	5,719	11,332	9,933
Amortization of intangible asset	7,638	11,110	7,344
Net of financial gains	(153,048)	(270,424)	(266,045)
Investment income	(515,820)	(1,171,748)	(2,488,579)
(Increase)/decrease in deferred tax assets	(1,384)	1,853	(3,277)
Decrease in inventories	—	1,003	5,852
Decrease/(Increase) in operating receivables	1,143,467	(438,642)	(52,129)
(Decrease)/increase in operating payables	(1,146,210)	491,621	(70,542)
Equity-settled share-based payments	(4,343)	6,582	1,080
Net cash used in operating activities	(102,088)	(160,929)	(344,803)
(2) Change in cash and cash equivalents:			
Cash at the end of the period/year	6,388,021	286,922	1,163,852
Less: Cash at the beginning of the period/year	286,922	1,163,852	891,117
Net increase/(decrease) in cash and cash equivalents	6,101,099	(876,930)	272,735

SUPPLEMENTARY INFORMATION

1. ***Extraordinary gain and loss***

The Group

In accordance with the requirements of the *Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 — Extraordinary Gains and Losses* (CSRC Announcement [2008] No. 43), the Group's extraordinary gains and losses are set out as follows:

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Disposal of non-current assets	15,058	(10,613)	(17,497)
Government grants recognised through profit or loss	238,287	398,810	573,364
Debt restructuring	200	450	—
Net loss from subsidiary business combination under common control from the beginning to the merger date of the current period net loss	—	(3,202)	(3,150)
Changes in fair value of financial assets and liabilities at fair value through profit or loss, and investment income from disposal of financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, other than those held for effective hedging related to normal operations	450	261	(1,764)

Unit: RMB'000

Item	Ten months ended 31 October 2014	Years ended 31 December 2013	2012
Reversal of provision for impairment of receivables assessed on an individual basis	12,177	169	1,423
Donations	(4,133)	(3,771)	(4,657)
Reversal of provision for diminution in value of inventories assessed on an individual basis	—	426	537
Other non-operating income and expenses besides items above	(88,562)	(111,884)	(35,726)
Tax effect	(27,246)	(50,895)	(97,262)
Total	146,231	219,751	415,268
Including: Effect on net profits attributable to shareholders of the Company	141,506	206,072	407,853
Effect on net profits attributable to non-controlling interests	4,725	13,679	7,415

2. Reconciliation of differences between financial statements prepared under the Chinese accounting standards (PRC GAAP) and International Financial Reporting Standards (IFRS)

(1) The amounts of net profits in the financial statements prepared under PRC GAAP are the same as those in the financial statements prepared under IFRS.

(2) The amounts of net assets in the financial statements prepared under PRC GAAP are the same as those in the financial statements prepared under IFRS.

3. Return on net assets and earnings per share

In accordance with the requirements of the CAS 34 — *Earnings per Share and the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of the Return on Net Assets and Earnings Per Share (2010 revised)* issued by the CSRC, the Group calculates its return on net assets and earnings per share.

	Weighted average return on net assets (%)		
	For the period ended 31 October 2014	**Years ended 31 December 2013**	**2012**
Net profit attributable to the Company's ordinary equity shareholders	10.35%	11.43%	10.61%
Net profit deducted extraordinary gain and loss attributable to the Company's ordinary equity shareholders	10.02%	10.85%	9.34%

	Basic earnings per share		
	For the period ended 31 October 2014	**Years ended 31 December 2013**	**2012**
Net profit attributable to the Company's ordinary equity shareholders	0.39	0.40	0.34
Net profit deducted extraordinary gain and loss attributable to the Company's ordinary equity shareholders	0.38	0.38	0.30

	Diluted earnings per share		
	For the period ended 31 October 2014	Years ended 31 December 2013	2012
Net profit attributable to the Company's ordinary equity shareholders	0.39	0.40	0.34
Net profit deducted extraordinary gain and loss attributable to the Company's ordinary equity shareholders	0.38	0.38	0.30

8 THE RECONCILIATION FINANCIAL INFORMATION BETWEEN PRC GAAP AND IFRS

The GAAP Reconciliation has been prepared by the Directors of CNR by comparing the differences between the consolidated financial information of CNR prepared under Accounting Standards for Business Enterprises issued by the Ministry of Finance ("MOF") of the People's Republic of China to the consolidated financial information prepared under International Financial Reporting Standards for the ten months ended 31 October 2014.

KPMG was engaged by CNR Group to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"("HKSAE 3000") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on the GAAP reconciliation.

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20 January 2015

Independent Assurance Report to the Board of Directors of China CNR Corporation Limited regarding the reconciliation of financial information prepared in accordance with Accounting Standards for Business Enterprises and financial information prepared in accordance with International Financial Reporting Standards

We were engaged by the Board of Directors of China CNR Corporation Limited ("CNR") to perform a reasonable assurance engagement on the reconciliation of the consolidated financial information of CNR prepared under Accounting Standards for Business Enterprises issued by the Ministry of Finance ("MOF") of the People's Republic of China ("the PRC GAAP consolidated financial information") to the consolidated financial information prepared under International Financial Reporting Standards ("the IFRS consolidated financial information") for the ten months ended 31 October 2014 as set out in the appendix to this report (the "GAAP Reconciliation").

Responsibilities of the Board of Directors of CNR

The directors of CNR are solely responsible for preparing the GAAP Reconciliation in accordance with the basis of preparation set out in the appendix to this report.

This responsibility include designing, implementing and maintaining internal control relevant to the preparation and presentation of the GAAP Reconciliation that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

Our responsibility is to examine the GAAP Reconciliation prepared by the directors of CNR and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("HKSAE 3000") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the GAAP Reconciliation is prepared, in all material respects, in accordance with the basis of preparation set out in the appendix.

The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the GAAP Reconciliation, whether due to fraud or error.

Our procedures include:

(i) Comparing the "PRC GAAP Consolidated Statement of Profit or Loss of CNR", "PRC GAAP Consolidated Statement of Profit or Loss and Other Comprehensive Income of CNR" and "PRC GAAP Consolidated Statement of Financial Position of CNR" included in the GAAP Reconciliation with CNR's PRC GAAP financial statements for the 10 months ended 31 October 2014 prepared by the directors of CNR;

(ii) Considering the appropriateness of the IFRS adjustments made by the directors of CNR and the evidence supporting the IFRS adjustments in arriving the "IFRS Consolidated Statement of Profit or Loss of CNR", "IFRS Consolidated Statement of Profit or Loss and Other Comprehensive Income of CNR" and "IFRS Consolidated Statement of Financial Position of CNR"; and

(iii) Checking the arithmetical accuracy of the computation of the GAAP Reconciliation.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

Based solely on the procedures described above, in our opinion:

(i) the "PRC GAAP Consolidated Statement of Profit or Loss of CNR", "PRC GAAP Consolidated Statement of Profit or Loss and Other Comprehensive Income of CNR" and "PRC GAAP Consolidated Statement of Financial Position of CNR" included in the GAAP Reconciliation are in agreement with CNR's PRC GAAP financial statements for the 10 months ended 31 October 2014;

(ii) the adjustments made in arriving the "IFRS Consolidated Statement of Profit or Loss of CNR", "IFRS Consolidated Statement of Profit or Loss and Other Comprehensive Income of CNR" and "IFRS Consolidated Statement of Financial Position of CNR" in GAAP Reconciliation reflects, in all material respects the differences applicable to CNR's financial information under PRC GAAP and IFRS; and

(iii) the computation of the "IFRS Consolidated Statement of Profit or Loss of CNR", "IFRS Consolidated Statement of Profit or Loss and Other Comprehensive Income of CNR" and "IFRS Consolidated Statement of Financial Position of CNR" in the GAAP Reconciliation are arithmetically correct.

Your attention is drawn to the fact that we have not performed an audit or review in respect of IFRS consolidated financial information as of and for the 10 months ended 31 October 2014 in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Therefore we are unable to and do not express any assurance on the financial position, results of operations or cash flows of CNR and its subsidiaries as of and for the 10 months ended 31 October 2014.

KPMG
Certified Public Accountants
Hong Kong

Attachments: The GAAP Reconciliation

APPENDIX — THE GAAP RECONCILIATION

Procedures undertaken by the directors of CNR in the preparation of the GAAP Reconciliation are as follows:

(i) Extract the "PRC GAAP Consolidated Statement of Profit or Loss of CNR", "PRC GAAP Consolidated Statement of Profit or Loss and Other Comprehensive Income of CNR" and "PRC GAAP Consolidated Statement of Financial Position of CNR" from CNR's PRC GAAP financial statements for the 10 months ended 31 October 2014;

(ii) With reference to CNR's PRC GAAP accounting policies and the IFRS accounting policies, identify the differences ("the GAAP adjustments") between consolidated financial information prepared under PRC GAAP and consolidated financial information prepared under IFRS;

(iii) Derive the "IFRS Consolidated Statement of Profit or Loss of CNR", "IFRS Consolidated Statement of Profit or Loss and Other Comprehensive Income of CNR" and "IFRS Consolidated Statement of Financial Position of CNR" by adjusting the balances included in each of the "PRC GAAP Consolidated Statement of Profit or Loss of CNR", "PRC GAAP Consolidated Statement of Profit or Loss and Other Comprehensive Income of CNR" and "PRC GAAP Consolidated Statement of Financial Position of CNR" with the relevant GAAP adjustments.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF CNR FOR THE TEN MONTHS ENDED 31 OCTOBER 2014

	PRC GAAP Consolidated Statement of Profit or Loss *RMB'000*	IFRS adjustments *RMB'000*	IFRS Consolidated Statement of Profit or Loss *RMB'000*
Revenue	**74,515,679**	**(222,363)**	**74,293,316**
Business taxes and surcharges	(349,757)	349,757	—
Cost of sales	**(60,042,087)**	**—**	**(60,042,087)**
Impairment losses	(728,719)	728,719	—
Administrative expenses	**(5,999,937)**	**(728,719)**	**(6,728,656)**
Selling and distribution expenses	**(1,431,782)**	**—**	**(1,431,782)**
Finance costs	**(1,021,272)**	**(483,647)**	**(1,504,919)**
Investment income	327,485	(327,485)	—
Non-operating income	295,023	(295,023)	—
Non-operating expenses	(151,238)	151,238	—
Losses from changes in fair value	(571)	571	—
Other revenue	**—**	**629,207**	**629,207**
Other net loss	**—**	**(107,676)**	**(107,676)**
Share of profits less losses of associates	**—**	**119,294**	**119,294**
Share of profits less losses of joint ventures	**—**	**186,127**	**186,127**
Profit before taxation	**5,412,824**	**—**	**5,412,824**
Income tax	**(842,822)**	**—**	**(842,822)**
Profit for the period	**4,570,002**	**—**	**4,570,002**
Equity shareholders of the Company	4,455,856	—	4,455,856
Non-controlling interests	114,146	—	114,146

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF CNR FOR THE TEN MONTHS ENDED 31 OCTOBER 2014

	PRC GAAP Consolidated Statement of Profit or Loss and Other Comprehensive Income *RMB'000*	IFRS adjustments *RMB'000*	IFRS Consolidated Statement of Profit or Loss and Other Comprehensive Income *RMB'000*
Profit for the period	**4,570,002**	**—**	**4,570,002**
Other comprehensive income	**—**	**—**	**—**
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liabilities	(167,791)	—	(167,791)
	(167,791)	**—**	**(167,791)**
Items that maybe reclassified subsequently to profit or los			
Available-for-sale investments: net movement in the fair value reserve	9,935	—	9,935
Exchange differences on translation of financial statements of overseas subsidiary	1,223	—	1,223
	11,158	**—**	**11,158**
Others comprehensive income for the period	**(156,633)**	**—**	**(156,633)**
Total comprehensive income for the period	**4,413,369**	**—**	**4,413,369**
Total comprehensive income attributable to:			
Equity shareholders of the Company	4,298,790	—	4,298,790
Non-controlling interests	114,579	—	114,579
Total comprehensive income for the period	**4,413,369**	**—**	**4,413,369**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF CNR AS AT 31 OCTOBER 2014

	PRC GAAP Consolidated Statement of Financial Position *RMB'000*	IFRS adjustments *RMB'000*	IFRS Consolidated Statement of Financial Position *RMB'000*
Current assets			
Cash at bank and in hand	14,802,101	(14,802,101)	—
Cash and cash equivalents	**—**	**9,826,109**	**9,826,109**
Banks deposits with original maturities over three months	**—**	**3,745,893**	**3,745,893**
Restricted deposits	**—**	**1,230,099**	**1,230,099**
Prepayments	5,987,854	(5,987,854)	—
Interest receivable	72,056	(72,056)	—
Dividends receivable	15,500	(15,500)	—
Other receivables	1,664,535	(1,664,535)	—
Financial assets at fair value through profit or loss	3,954	(3,954)	—
Non-current assets due within one year	4,713,862	(4,713,862)	—
Other current assets	754,838	(754,838)	—
Prepayments, deposits and other receivables	**—**	**13,198,244**	**13,198,244**
Inventories	**33,800,759**	**(29,516)**	**33,771,243**
Bills receivable	1,924,210	(1,924,210)	—
Accounts receivable	41,429,969	(41,429,969)	—
Trade and bills receivables	**—**	**43,383,695**	**43,383,695**
Income tax recoverable	**—**	**14,355**	**14,355**
Total current assets	**105,169,638**	**—**	**105,169,638**

	PRC GAAP Consolidated Statement of Financial Position *RMB'000*	IFRS adjustments *RMB'000*	IFRS Consolidated Statement of Financial Position *RMB'000*
Non-current assets			
Investment properties	83,488	(83,488)	—
Fixed assets	23,081,730	(23,081,730)	—
Construction in progress	5,976,192	(5,976,192)	—
Construction materials	61,406	(61,406)	—
Long-term deferred expenses	13,319	(13,319)	—
Property, plant and equipment	**—**	**29,207,738**	**29,207,738**
Other non-current assets	2,150,554	(2,150,554)	—
Lease prepayments	**—**	**9,983,450**	**9,983,450**
Intangible assets	**9,693,765**	**(9,044,683)**	**649,082**
Available-for-sale financial assets	119,575	(119,575)	—
Long-term receivables	7,329,161	(7,329,161)	—
Other non-current assets	**—**	**8,668,920**	**8,668,920**
Interest in associates	**1,051,360**	**—**	**1,051,360**
Interest in joint ventures	**1,101,061**	**—**	**1,101,061**
Deferred tax assets	**671,899**	**—**	**671,899**
Goodwill	**13,557**	**—**	**13,557**
Total non-current assets	**51,347,067**	**—**	**51,347,067**
Total assets	**156,516,705**	**—**	**156,516,705**

	PRC GAAP Consolidated Statement of Financial Position *RMB'000*	IFRS adjustments *RMB'000*	IFRS Consolidated Statement of Financial Position *RMB'000*
Current liabilities			
Short-term loans	15,050,848	(15,050,848)	—
Non-current liabilities due within one year	1,793,919	(1,793,919)	—
Other current liabilities	16,980,972	(16,980,972)	—
Interest-bearing loans and borrowings	**—**	**33,821,820**	**33,821,820**
Advances from customers	7,466,051	(7,466,051)	—
Financial liabilities at fair value through profit or loss	819	(819)	—
Employee benefits payable	968,664	(968,664)	—
Taxes payable	1,045,310	(1,045,310)	—
Interest payable	636,728	(636,728)	—
Dividends payable	150,961	(150,961)	—
Other payables	3,473,172	(3,473,172)	—
Other payables and accruals	**—**	**13,400,356**	**13,400,356**
Bills payable	9,919,405	(9,919,405)	—
Accounts payable	38,596,321	(38,596,321)	—
Trade and bills payables	**—**	**48,515,726**	**48,515,726**
Defined benefit obligations	**—**	**225,602**	**225,602**
Income tax payable	**—**	**341,849**	**341,849**
Provisions	831,553	(831,553)	—
Provision for warranties	**—**	**609,370**	**609,370**
Total current liabilities	**96,914,723**	**—**	**96,914,723**

		PRC GAAP Consolidated Statement of Financial Position *RMB'000*	IFRS adjustments *RMB'000*	IFRS Consolidated Statement of Financial Position *RMB'000*
Non-current liabilities				
Debentures payable		3,973,227	(3,973,227)	—
Long-term loans		798,637	(798,637)	—
Interest-bearing loans and borrowings		**—**	**4,771,864**	**4,771,864**
Long-term employee benefits payable		2,270,071	(2,270,071)	—
Defined benefit obligations		**—**	**2,217,500**	**2,217,500**
Long-term payables		5,206	(5,206)	—
Special payables		94,604	(94,604)	—
Deferred income		2,961,708	(2,961,708)	—
Other non-current liabilities		**—**	**3,114,089**	**3,114,089**
Deferred tax liabilities		**1,095**	**—**	**1,095**
Total non-current liabilities		**10,104,548**	**—**	**10,104,548**
Total liabilities		**107,019,271**	**—**	**107,019,271**
Shareholders' equity				
Share capital		**12,259,780**	**—**	**12,259,780**
Capital reserve	(1)	21,590,622	(21,590,622)	—
Other comprehensive income		(496,070)	496,070	—
Specific reserve	(2)	49,957	(49,957)	—
Surplus reserve		617,534	(617,534)	—
General risk provision		38,038	(38,038)	—
Retained earnings		13,663,533	(13,663,533)	—

	PRC GAAP Consolidated Statement of Financial Position *RMB'000*	IFRS adjustments *RMB'000*	IFRS Consolidated Statement of Financial Position *RMB'000*
Reserves			
Capital reserve	**—**	**21,058,619**	**21,058,619**
Fair value reserve	**—**	**27,981**	**27,981**
PRC statutory reserve	**—**	**655,572**	**655,572**
Retained profits	**—**	**13,720,731**	**13,720,731**
Exchange reserve	**—**	**711**	**711**
Total equity attributable to the equity shareholders of the Company	**47,723,394**	**—**	**47,723,394**
Non-controlling interests	1,774,040	—	1,774,040
Total equity	**49,497,434**	**—**	**49,497,434**
Total liabilities and equity	**156,516,705**	**—**	**156,516,705**

Other than the GAAP differences explained below, all other adjustments are reclassifications to conform with the presentation in accordance with the CNR Group's accounting policies under IFRS and have no impact on net assets, total assets, total liabilities as at 31 October 2014 and profit and total comprehensive income for the ten months ended 31 October 2014.

Note 1: Government grants

Under PRC GAAP, special funds such as investment subsidy granted by the government are required to be accounted for as "capital reserve" within equity.

CNR received government grants of RMB7.24 million during the year ended 31 December 2012 and recorded such amounts directly to "capital reserve" within equity in the year of receipt. Under IFRS, these grants were recognized as "other income" in the year of receipt and thereafter included as "retained profits".

This GAAP difference has no impact on the net assets of CNR.

Note 2: Specific reserve-Safety production fund

CNR Group formulated the "Administrative Measurements on the Appropriation and Use of Enterprise Safety Production Expenses of China CNR Corporation Limited" in accordance with the "Administrative Measurements on the Appropriation and Use of Enterprise Safety Production Expenses (Cai Qi[2012]No.16) issued by the of Administration of Work Safety of the Ministry of Finance. Pursuant to the proportion and scope of use set out in "Administrative Measurements on the Appropriation and Use of Enterprise Safety Production Expenses of China CNR Corporation Limited", CNR Group appropriated specific reserve based on the revenue from sales of machinery products in the previous years and then utilize specific reserves when necessary.

Under PRC GAAP, CNR Group accrues safety production expense pursuant to above regulations and depending on the expense nature, such amounts will be recognized as either asset costs or expenses with a corresponding credit to a specific reserve within equity. Expenses will be recorded as utilisation of the specific reserve under PRC GAAP whereas such expenses will recognized in profit or loss as incurred under IFRS.

The safety production fund were recognized in "specific reserve" within equity under PRC GAAP whereas under IFRS, the expenses will be charged to the income statement upon incurrence and thereafter included as "retained earnings". As 31 October 2014, the RMB49.96 million safety production fund recorded within "specific reserve" under PRC GAAP was reclassified to "retained earnings" for IFRS presentation purpose.

This GAAP difference has no impact on the net assets of CNR.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Basis of Preparation of the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group

CSR Corporation Limited (the "CSR" or the "Company") and its subsidiaries (collectively the "CSR Group") entered into the Merger Agreement to propose a merger with China CNR Corporation Limited (the "CNR") and its subsidiaries (collectively the "CNR Group") by way of absorption and a share for share exchange. A single exchange ratio has been agreed in respect of the Merger for A shares and H shares of CSR and CNR. The exchange ratio is 1: 1.10, meaning that each CNR A share shall be exchanged for 1.10 CSR A shares to be issued by CSR, and that each CNR H share shall be exchanged for 1.10 CSR H shares to be issued by CSR ("Exchange Ratio"). CSR will allot and issue not more than 11,138,692,293 new CSR A Shares and 2,347,066,040 new CSR H Shares respectively in exchange for all of CNR issued shares (the "Proposed Merger").

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the completion of the Proposed Merger on the basis set out in the notes below for illustrating the effect of the Proposed Merger, as if the Proposed Merger had taken place on 31 December 2013 for the preparation of the unaudited pro forma consolidated statement of financial position. For the preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows, it is assumed that the Proposed Merger had taken place on 1 January 2013. The directors of the CSR consider that such basis is appropriate for reflecting the accounting treatment to be adopted upon completion of the Proposed Merger and providing the relevant information to the shareholders of the CSR.

The information is prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the results and cash flows, or financial position of the Enlarged Group would have been upon completion of the Proposed Merger, any future periods or on any future dates.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2013 are prepared based on the audited consolidated statement of financial position as at 31 December 2013 as extracted from the consolidated financial statements of the CSR and the CNR as set out in Appendix I and Appendix II of this Circular respectively, after making pro forma adjustments to the Proposed Merger, as if the Proposed Merger had taken place on 31 December 2013.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2013 are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows for the year ended 31 December 2013 as extracted from the consolidated financial statements of the CSR and the CNR set out in Appendix I and Appendix II to this Circular respectively, after making pro forma adjustments to the Proposed Merger, as if the Proposed Merger had completed 1 January 2013.

The Unaudited Pro Forma Consolidated Financial Information should be read in conjunction with the audited consolidated financial statements of the CSR Group and of the CNR Group for the year ended 31 December 2013 as set out in Appendix I and Appendix II to this circular respectively.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

			Pro forma adjustments					
	The CSR as at 31 December 2013	**The CNR as at 31 December 2013**	**Transaction cost related to the Proposed Merger**	**Elimination of equity investments**	**Elimination of balances**	**Elimination of inter-company transactions**	**Issuance of new shares and placement by the CSR to merge with the CNR**	**Unaudited pro forma for the Enlarged Group as at 31 December 2013**
	RMB'000	*RMB'000* (*Note 2*)	*RMB'000* (*Note 3*)	*RMB'000* (*Note 4*)	*RMB'000* (*Note 5*)	*RMB'000* (*Note 6*)	*RMB'000* (*Note 7*)	*RMB'000*
NON-CURRENT ASSETS								
Investment properties	—	84,265						84,265
Property, plant and equipment	25,200,595	27,912,797				(311)		53,113,081
Prepaid lease payments	4,520,593	9,966,563						14,487,156
Goodwill	61,386	13,557						74,943
Other intangible assets	741,875	639,805				(200)		1,381,480
Interests in joint ventures	2,111,224	944,177						3,055,401
Interests in associates	842,393	1,040,052						1,882,445
Loans and advances	30,000	—						30,000
Available-for-sale investments	708,842	134,096		(55,689)				787,249
Deferred tax assets	586,193	451,337						1,037,530
Other non-current assets	3,373,530	8,242,856						11,616,386
	38,176,631	49,429,505						87,549,936
CURRENT ASSETS								
Inventories	17,721,119	18,636,790				(481)		36,357,428
Trade receivables	34,120,810	30,388,335			(834,099)			63,675,046
Bills receivable	6,196,202	1,534,300			(95,991)			7,634,511
Prepayments, Deposits and other receivables	8,457,464	10,823,765			(2,332)			19,278,897
Financial assets at fair value through profit or loss	6,746	—						6,746
Derivative financial instruments	4,243	4,907						9,150
Tax recoverable	46,060	9,269						55,329
Pledged bank deposits	1,495,037	1,084,981						2,580,018
Bank balances and cash	14,905,100	8,247,065						23,152,165
	82,952,781	70,729,412						152,749,290
CURRENT LIABILITIES								
Trade payables	31,798,126	28,024,625			(818,123)			59,004,628
Bills payable	13,574,959	8,001,631			(95,929)			21,480,661
Other payables and accruals	12,523,543	16,063,130	150,000		(18,370)			28,718,303
Borrowings	7,606,292	20,609,153						28,215,445
Retirement benefit obligations - current portion	133,410	247,518						380,928
Tax payable	500,684	521,657						1,022,341

			Pro forma adjustments					
	The CSR as at 31 December 2013 *RMB'000*	**The CNR as at 31 December 2013** *RMB'000* (Note 2)	**Transaction cost related to the Proposed Merger** *RMB'000* (Note 3)	**Elimination of equity investments** *RMB'000* (Note 4)	**Elimination of balances** *RMB'000* (Note 5)	**Elimination of inter-company transactions** *RMB'000* (Note 6)	**Issuance of new shares and placement by the CSR to merge with the CNR** *RMB'000* (Note 7)	**Unaudited pro forma for the Enlarged Group as at 31 December 2013** *RMB'000*
Due to customers	33,157	—						33,157
Provision for warranties - current portion	595,196	535,900						1,131,096
Government grants - current portion	234,832	4,011						238,843
	67,000,199	74,007,625						140,225,402
NET CURRENT ASSETS (LIABILITIES)	15,952,582	(3,278,213)						12,523,888
TOTAL ASSETS LESS CURRENT LIABILITIES	54,129,213	46,151,292						100,073,824
EQUITY								
Share capital	13,803,000	10,320,056					1,032,006	25,155,062
Reserves	22,756,903	27,460,286	(150,000)	(34,012)		(992)	(1,032,006)	49,000,179
Equity attributable to owners of the Company	36,559,903	37,780,342	(150,000)	(34,012)		(992)		74,155,241
Non-controlling interests	9,594,728	1,785,293		(21,677)				11,358,344
TOTAL EQUITY	46,154,631	39,565,635						85,513,585
NON-CURRENT LIABILITIES								
Borrowings	3,568,511	1,415,277						4,983,788
Retirement benefit obligations - non-current portion	1,232,950	2,131,239						3,364,189
Provision for warranties - non-current portion	1,147,285	—						1,147,285
Government grants - non-current portion	1,815,032	2,878,550						4,693,582
Deferred tax liabilities	61,210	1,183						62,393
Other non-current liabilities	149,594	159,408						309,002
	7,974,582	6,585,657						14,560,239
TOTAL EQUITY AND NON-CURRENT LIABILITIES	54,129,213	46,151,292						100,073,824

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP

			Pro forma adjustments			
	The CSR for the year ended 31 December 2013	**The CNR for the year ended 31 December 2013**	**Transaction cost related to the Proposed Merger**	**Elimination of equity investments**	**Elimination of inter-company transactions**	**Unaudited pro forma for the Enlarged Group for the year ended 31 December 2013**
	RMB'000	*RMB'000 (Note 2)*	*RMB'000 (Note 3)*	*RMB'000 (Note 4)*	*RMB'000 (Note 6)*	*RMB'000*
Revenue	96,525,052	96,756,070			(1,867,915)	191,413,207
Cost of sales and services	(79,896,059)	(80,103,393)			1,855,815	(158,143,637)
Gross profit	16,628,993	16,652,677				33,269,570
Other income and gains	1,481,884	583,771				2,065,655
Selling and distribution expenses	(3,085,197)	(2,018,084)				(5,103,281)
Administrative expenses	(8,561,806)	(8,783,823)			11,434	(17,334,195)
Other expenses	(347,845)	(230,650)	(150,000)			(728,495)
Finance costs	(546,350)	(1,395,424)				(1,941,774)
Share of losses of associates						
Joint ventures	360,290	180,013				540,303
Associates	3,502	110,651			(326)	113,827
Profit before tax	5,933,471	5,099,131				10,881,610
Income tax expense	(859,318)	(873,128)				(1,732,446)
Profit for the period	5,074,153	4,226,003				9,149,164
Other comprehensive income:						
Items that will not be reclassified to profit or loss:						
Re-measurement of defined benefit pension plans	131,970	14,900				146,870
Item that may be reclassified subsequently to profit or loss:						
Fair value gains on available-for-sale financial assets	330,982	5,160		11,591		347,733
Income tax relating to items that may be reclassified subsequently	(23,314)	(1,025)				(24,339)
Exchange differences arising on translation	(29,500)	(98)				(29,598)
Other comprehensive income for the year, net of income tax	410,138	18,937				440,666
Total comprehensive income for the period/year	5,484,291	4,244,940				9,589,830
Profit for the year attributable to:						
Owner of the Company	4,139,972	4,128,559	(150,000)	991	(992)	8,118,530
Non-controlling interests	934,181	97,444		(991)		1,030,634
	5,074,153	4,226,003				9,149,164
Total comprehensive income for the year attributable to:						
Owner of the Company	4,550,842	4,147,871	(150,000)	12,582	(992)	8,560,303
Non-controlling interests	933,449	97,069		(991)		1,029,527
	5,484,291	4,244,940				9,589,830

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

			Pro forma adjustments			
	The CSR for the year ended 31 December 2013 *RMB'000*	**The CNR for the year ended 31 December 2013** *RMB'000* *(Note 2)*	**Transaction cost related to the Proposed Merger** *RMB'000* *(Note 3)*	**Elimination of balance** *RMB'000* *(Note 5)*	**Elimination of inter-company transactions** *RMB'000* *(Note 6)*	**Unaudited pro forma for the Enlarged Group for the year ended 31 December 2013** *RMB'000*
Cash flows from operating activities						
Profit for the period	5,933,471	5,099,131	(150,000)		(3,418)	10,879,184
Adjustments for:						
Depreciation of property, plant and equipment	1,708,433	1,955,306				3,663,739
Amortisation of prepaid lease payments	106,943	171,664				278,607
Amortisation of intangible assets	125,215	74,271				199,486
Gain/Loss on disposal of property, plant and equipment, net	(111,977)	10,614				(101,363)
Loss on disposal of other intangible assets, net	266,687	—				266,687
Provision against obsolete inventories	136,404	148,260				284,664
Impairment of property, plant and equipment	—	1,246				1,246
Impairment of trade receivables	25,461	656,077				681,538
Impairment of other receivables	15,987	248,767				264,754
Impairment of other non-current assets	—	59,946				59,946
Impairment loss on accounts receivable	—	24,727				24,727
Impairment of goodwill	46,518	—				46,518
Interest income and finance income of instalment sales	(170,308)	(195,927)				(366,235)
Dividend income	(160)	(5,693)				(5,853)
Financial Costs	546,350	1,089,631				1,635,981
Share of profits and losses of associates and joint ventures	(363,792)	(290,664)			326	(654,130)
Loss on disposal of other financial assets and investments, net	—	44,919				44,919
Equity-settled share option expense	(10,858)	33,202				22,344
Gain on derivative financial instruments	(2,000)	6,069				4,069
Gain on financial instruments included in other receivables	(8,195)	—				(8,195)
Operating cash flows before movements in working capital	8,244,179	9,131,546				17,222,633
Decrease in inventory	923,789	5,921,019			155	6,844,963
Increase in trade receivables, bills receivable and prepayments, deposits and other receivables	(9,905,757)	(17,065,655)		224,731		(26,746,681)
Decrease/(increase) in pledged bank deposits	52,392	(878,433)				(826,041)
Increase in trade and bills payables and other payables and accruals	6,909,178	8,547,054	150,000	(224,731)		15,381,501
Decrease in retirement benefit obligations	(209,290)	(100,674)				(309,964)
Increase/(decrease) in provision for warranties	290,799	(64,342)				226,457
Increase in other non-current assets	(95,357)	—				(95,357)

			Pro forma adjustments			
	The CSR for the year ended 31 December 2013 *RMB'000*	**The CNR for the year ended 31 December 2013** *RMB'000* *(Note 2)*	**Transaction cost related to the Proposed Merger** *RMB'000* *(Note 3)*	**Elimination of balance** *RMB'000* *(Note 5)*	**Elimination of inter-company transactions** *RMB'000* *(Note 6)*	**Unaudited pro forma for the Enlarged Group for the year ended 31 December 2013** *RMB'000*
Interest received	170,308	167,676				337,984
Income taxes paid	(968,390)	(771,408)				(1,739,798)
Net cash generated from operating activities	5,411,851	4,886,783				10,295,697
Cash flows from investing activities						
Purchases of items of property, plant and equipment excluding interest capitalised	(4,122,601)	(5,326,842)			1,804	(9,447,639)
Acquisition of prepaid lease payment	(162,549)	—				(162,549)
Purchase of other intangible assets	(295,007)	—			1,133	(293,874)
Payment for acquisition of subsidiaries	—	(88,801)				(88,801)
Investments in associates	(19,800)	(25,010)				(44,810)
Investments in joint ventures	(275,858)	—				(275,858)
Purchases of available-for-sale investments	(347,155)	—				(347,155)
Purchases of financial instruments classified as other receivables	(550,789)	—				(550,789)
Payment for disposal of financial assets	—	(467)				(467)
Payment for purchase of financial assets	—	(11,321)				(11,321)
Prepayment of investments	(440,674)	—				(440,674)
Prepayment of acquisition of subsidiaries	(113,253)	—				(113,253)
Purchase of asset under finance leases	(1,317,860)	—				(1,317,860)
Dividends received from a joint venture	501,910	46,954				548,864
Dividends received from available-for-sale investments	160	—				160
Dividends received from associates	1,500	—				1,500
Interest on financial instruments included in other receivables	8,195	—				8,195
Proceeds from acquisitions of subsidiaries	7,972	—				7,972
Proceeds from disposal of prepaid lease payments	34,808	49,119				83,927
Proceeds on disposal of items of property, plant and equipment	74,388	—				74,388
Proceeds from disposal of other intangible assets	14,628	—				14,628
Proceeds from disposal of derivative financial instruments	—	12,908				12,908
Proceeds from disposal of available-for-sale investments	608,077	—				608,077
Proceeds from disposal of the interest of joint ventures	—	129				129
Government grants received	—	219,650				219,650
Withdrawal of non-pledged deposits with original maturity of three months or more when acquired	—	935,574				935,574
Placement of non-pledged deposits with original maturity of three months or more when acquired	(851,396)	(1,612,962)				(2,464,358)
NET CASH USED IN INVESTING ACTIVITIES	(7,245,304)	(5,801,069)				(13,043,436)

			Pro forma adjustments			
	The CSR for the year ended 31 December 2013	The CNR for the year ended 31 December 2013	Transaction cost related to the Proposed Merger	Elimination of balance	Elimination of inter-company transactions	Unaudited pro forma for the Enlarged Group for the year ended 31 December 2013
	RMB'000	*RMB'000* (Note 2)	*RMB'000* (Note 3)	*RMB'000* (Note 5)	*RMB'000* (Note 6)	*RMB'000*
Cash flows from financing activities						
Repayment of bonds	(10,500,000)	(19,957,118)				(30,457,118)
Proceeds from bank and other borrowings	(22,829,883)	(63,691,943)				(86,521,826)
Distribution to shareholders	(1,242,270)	(1,087,540)				(2,329,810)
Bond issue expense	(1,019,750)	(31,432)				(1,051,182)
Dividends paid to non-controlling interests	(264,588)	—				(264,588)
Interest paid	(544,907)	(1,195,016)				(1,739,923)
Proceeds from bank and other borrowings	23,677,330	69,546,851				93,224,181
Proceeds from issuance of bonds	11,500,000	16,000,000				27,500,000
Acquisition of non-controlling interests without change in control	—	(6,289)				(6,289)
Capital contributions from non-controlling shareholders	2,697,147	91,988				2,789,135
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	1,473,079	(330,499)				1,142,580
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	(83,187)	(20,560)				(103,747)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(443,561)	(1,265,345)				(1,708,906)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,452,265	8,379,753				22,832,018
CASH AND CASH EQUIVALENTS AT END OF YEAR	14,008,704	7,114,408				21,123,112

Notes:

1. Prior to the Proposed Merger, the majority of the equity interests of both the CSR and the CNR are ultimately held by the State-owned Assets Supervision and Administration Commission of the PRC. For accounting purposes, the Proposed Merger is considered to be a business combination of entities under common control.

2. The amounts are extracted from the audited consolidated financial statements of the CNR as set out in Appendix II to this Circular, and after certain figures have been reclassified to conform to the accounting policies and the presentation of the CSR's audited financial statements for the year ended 31 December 2013.

3. The adjustment represents expenditures incurred directly to the Proposed Merger including financial advisor fees, legal fees, printing costs, accountants fees, and other related expenses of approximately RMB150,000,000.

4. As at 31 December 2013, CNR has 0.8% equity investment in Zhuzhou Times New Material Technology Co. Ltd ("ZTNM"), a listed company and subsidiary of CSR. CNR accounted for the investment in ZTNM as available-for-sale investments. The adjustment represents the elimination of inter-company equity investment.

5. The adjustment represents the elimination of inter-company receivables and payables between the CSR and the CNR as at 31 December 2013.

6. The adjustment represents the elimination of inter-company transactions among CSR Group, CNR Group and CSR's and CNR's joint ventures and associates for the year ended 31 December 2013.

7. The adjustment represents the estimated financial impact of issuing new A shares and H shares of CSR in exchange for all issued A shares of CNR as at 31 December 2013 and the elimination of the CSR's investment in the CNR using merger accounting.

   The adjustments as at 31 December 2013 include (i) a net increase in share capital of RMB1,032,006,000 representing the issuance of 11,138,692,293 new A shares of CSR and 213,369,640 new H shares of CSR at par value of RMB1 each issued at an exchange ratio of 1 CNR share to 1.10 CSR share less elimination of share capital of CNR of RMB10,320,056,000 as at 31 December 2013, (ii) a resulting adjustment to reserves as the Proposed Merger represents the merger under common control and all differences between the total consideration shares paid and net assets of CNR Group will be adjusted in equity.

   On 22 May 2014, CNR completed its global offering and 1,821,200,000 H shares of CNR with par value of RMB1 each were issued at a price of HKD5.17 per share. On 13 June 2014, in connection with the partially exercise of the over-allotment option, 118,524,000 H shares of CNR with nominal value of RMB1 each were issued at a price of HKD5.17 per share by CNR. The total cash proceeds were RMB7,730,082,000. The adjustments for the year ended 31 December 2013 did not consider the issuance of H shares of CNR.

   As part of the global offering of CNR in 2014, 193,972,400 A shares of CNR was converted into 193,972,400 H shares of CNR in June 2014. These 193,972,400 A shares of CNR were included in the share capital of CNR of RMB10,320,056,000 as at 31 December 2013 and were assumed in exchange of 213,369,640 new H shares of CSR at the exchange ratio of 1:1.10.

8. Apart from the above, no adjustments have been made to the unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2013 where applicable.

(B) ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this Circular.

Deloitte.
德勤

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88 Queensway
Hong Kong

21 January 2015

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF THE CSR CORPORATION LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of the CSR Corporation Limited (the "CSR") and its subsidiaries (hereinafter collectively referred to as the "CSR Group") by the directors of the CSR (the "CSR Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 December 2013, the pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013, the pro forma consolidated statement of cash flows for the year ended 31 December 2013 and related notes as set out on pages III-3 to III-9 of the circular issued by the CSR dated 21 January 2015 (the "Circular"). The applicable criteria on the basis of which the CSR Directors have compiled the pro forma financial information are described on pages III-1 to III-2 of the Circular.

The pro forma financial information has been compiled by the CSR Directors to illustrate the impact of the proposed merger with CNR Corporation Limited (the "Proposed Merger") on the CSR Group's financial position as at 31 December 2013 and its financial performance and cash flows for the year ended 31 December 2013 as if the Proposed Merger had taken place at 31 December 2013 and 1 January 2013 respectively. As part of this process, information about the CSR Group's financial position, financial performance and cash flows has been extracted by the CSR Directors from the Group's financial statements for the year ended 31 December 2013, on which an audit report has been published.

CSR Directors' Responsibilities for the Pro Forma Financial Information

The CSR Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the CSR Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the CSR Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the CSR Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the CSR Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the CSR Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 January 2015

(C) AUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF THE ENLARGED GROUP UNDER PRC GAAP FOR THE YEAR ENDED 31 DECEMBER 2013 AND THE TEN MONTHS ENDED 31 OCTOBER 2014

Pursuant to the requirements in the Standards on the Contents and Formats of Information Disclosures by Companies Publicly Offering Securities No.26 - Material Asset Restructuring of Listed Companies (Revision in 2014) (公開發行證券的公司信息披露內容與格式準則第26號 — — 上市公司重大資產重組(2014年修訂)) issued by CSRC, audited pro forma consolidated financial statements of the Enlarged Group under PRC GAAP for the year ended 31 December 2013 and the ten months ended 31 October 2014 were prepared in relation to the Merger.

PRO FORMA CONSOLIDATED BALANCE SHEETS

31 OCTOBER 2014 AND 31 DECEMBER 2013

Assets	*Note (VII)*	**31 October 2014** *RMB'000*	**31 December 2013** *RMB'000*
Cash and bank balances		36,134,777	25,732,184
Financial assets at fair value through profit or loss		14,984	15,896
Notes receivable	1	6,463,843	7,634,573
Trade receivables	2	77,839,000	63,671,677
Advances to suppliers	3	11,060,555	9,690,014
Dividends receivable		20,642	31,385
Other receivables	4	3,882,011	3,051,949
Inventories	5	64,928,053	36,360,796
Held-for-trading financial assets	6	555,300	—
Non-current assets due within one year		5,967,435	4,839,722
Other current assets		2,023,064	1,721,096
Total current assets		208,889,664	152,749,292
Non-current assets:			
Loans and advances		102,900	30,000
Available-for-sale investment	6	1,079,227	787,249
Long-term receivables		11,798,190	9,386,104
Long-term equity investments	7	5,313,420	4,937,845
Investment property		83,488	84,266
Fixed assets	8	46,773,261	44,269,291
Construction materials		61,406	17,304
Construction in progress		9,810,520	8,822,749
Intangible assets	9	15,382,516	14,810,579
Development expenditure		61,680	61,167
Goodwill		668,658	74,943
Long-term perpaid expenses		46,730	39,723
Deferred tax assets		1,760,645	1,037,530
Other non-current assets	10	3,468,821	3,191,186
Total non-current assets		96,411,462	87,549,936
TOTAL ASSETS		305,301,126	240,299,228

LIABILITIES AND SHAREHOLDER'S EQUITY	*Note (VII)*	31 October 2014 *RMB'000*	31 December 2013 *RMB'000*
Current liabilities:			
Short-term borrowings		23,601,384	15,690,527
Financial liabilities at fair value through profit or loss		819	1,201
Short-term financing bond payable		21,980,972	11,994,357
Acceptance of money deposits		394,079	455,347
Notes payable	11	21,355,464	21,480,661
Accounts payable	12	78,185,581	59,004,628
Advances from customers	13	18,783,529	17,257,250
Employee benefits payable		2,846,938	1,628,486
Tax payable		2,135,783	3,786,958
Dividends payable		183,501	201,265
Interest payable		818,082	409,311
Other payables		7,929,679	6,083,742
Non-current liabilities due within one year		4,426,288	2,231,670
Total current liabilities		182,642,099	140,225,403
Non-current liabilities			
Long-term borrowings		3,533,561	1,983,788
Bonds payable		7,673,227	3,000,000
Long-term payables		185,548	31,206
Estimated Liabilities Provisions		2,134,885	1,148,081
Deferred tax liabilities		133,980	62,393
Other non-current liabilities		9,302,712	8,334,772
Total non-current liabilities		22,963,913	14,560,240
TOTAL LIABILITIES		205,606,012	154,785,643

LIABILITIES AND SHAREHOLDER'S EQUITY	*Note (VII)*	31 October 2014 *RMB'000*	31 December 2013 *RMB'000*
SHAREHOLDERS' EQUITY:			
Share capital		27,288,758	25,155,062
Capital reserve		30,324,355	24,800,426
Other comprehensive income	17	(390,746)	(163,688)
Surplus reserve		1,661,518	1,661,518
Special reserve		49,957	49,957
General reserve		87,897	34,582
Retained earning		28,259,530	22,617,384
Total shareholders' equity			
Attributable to shareholders of the company		87,281,269	74,155,241
Non-controlling interests		12,413,845	11,358,344
TOTAL SHAREHOLDERS' EQUITY		99,695,114	85,513,585
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		305,301,126	240,299,228

The accompanying notes form part of the consolidated financial statements.

PRO FORMA CONSOLIDATED INCOME STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 OCTOBER 2014 AND YEAR ENDED 31 DECEMBER 2013

			Note (VII)	Period from 1 January to 31 October 2014 RMB'000	2013 RMB'000
I.	**Operating income**		14	167,404,565	193,259,050
	Less:	Operating costs	14	132,274,950	158,716,480
		Business taxes and surcharges		860,833	1,167,378
		Selling expenses		5,488,420	5,103,281
		Administative expenses	15	14,422,332	16,331,397
		Financial expenses		1,491,152	1,585,682
		Impairment loss in respect of assets		1,758,284	1,363,393
	Add:	Changes in fair value loss		(582)	(4,452)
		Investment income		658,886	741,191
		Include: Income from investment in associates and joint ventures	16	566,463	654,130
II.	**Operating profit**			11,766,898	9,728,178
	Add:	Non-operating income		952,508	1,703,668
	Less:	Non-operating expenses		349,086	550,236
		Include: Losses from disposal of non-current assets		87,000	330,848
III.	**Total profit**			12,370,320	10,881,610
	Less:	Income tax		2,056,812	1,732,446
IV.	**Net profit**			10,313,508	9,149,164
	Net profit attributable to shareholders of the company			9,001,780	8,118,530
	Profit or loss attributable to Non-controlling interests			1,311,728	1,030,634

		Period from 1 January to 31 October 2014	2013
	Note (VII)	*RMB'000*	*RMB'000*
V. Other comprehensive income			
Items will not be reclassfied to gains (losses)			
Re-measurement of net defined benefits liabilities		(308,172)	146,870
Items will be reclassfied to gains (losses) in subsequent accounting period if certain requirements are met			
Net gains (losses) from changes in fair value of avaiable-for-sale financial assets		80,550	432,523
Exchange differences on translation of financial statements in foreign currencies		(79,336)	(29,597)
Net gains (losses) count into other comperhensive		—	(109,129)
Income at beginning		1,214	293,797
Net gains (losses) of other comperhensive income after tax	17	(306,958)	440,667
VI. Total comprehensive income		10,006,550	9,589,831
Total amount of comprehensive income to shareholders of the parent		8,774,722	8,560,303
Total amount of comprehensive income to non-controlling interests		1,231,828	1,029,528

The accompanying notes form part of the pro forma consolidated financial statements

PRO FORMA CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 OCTOBER 2014 AND THE YEAR ENDED 31 DECEMBER 2013

I. GENERAL

(I) Basic information on the Company

The parent company of CSR Group (hereinafter referred to as the "CSRG", formerly known as China South Locomotive and Rolling Stock Industry Group Corporation), is a legal entity operating under the direct supervision of State-owned Asset Supervision and Administration Commission (hereinafter referred to as "SASAC"). Pursuant to approval documents of Reply for the issue related to the establishment of CSR Corporation Limited (SASAC Property [2007] No.1577) and Reply to the establishment of CSR Corporation Limited (SASAC Reform [2007] No.1588) obtained from the SASAC, CSRG and the CSR Group Investment Management Company (formerly known as Beijing Railway Industry Trade Company) were approved to restructure into a joint stock company limited to form CSR Corporation Limited (hereinafter referred to as the "Company" or "CSR") with value of its equity interests in its core operating businesses and the relevant assets of CSRG revalued in the assessment benchmark dated 30 June 2007 and certain cash. The Company was established in Beijing on 28 December 2007 and issued 6,900,000,000 and 100,000,000 (total 7,000,000,000 shares) shares to CSRG and the CSR Group Investment Management Company, which respectively accounted for 98.57% and 1.43% of the total shares.

Pursuant to the China Securities Regulatory Commission (hereinafter referred to as "CSRC")'s approval under ref. Zheng Jian Xu Ke [2008] No. 961, the Company issued 3,000,000,000 A ordinary shares with par value RMB1.00 each were issued at a price of RMB2.18 per share each through the Shanghai Stock Exchange on 18 July 2008, and was listed on the Shanghai Stock Exchange on 18 August 2008.

On 07 July 2008, according to Zheng Jian Xu Ke [2008] 883 ("The Official Approval about China CNR Corporation Limited Global Offering") issued by CSCR. On 21 August 2008, the Company completed its global offering of 1,600,000,000 H ordinary shares with nominal value of RMB1.00 each were issued at a price of HKD2.60 per share, and the H shares have since then been listed on Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE"). On 12 September 2008, in connection with the full exercise of the Over-allotment Option, 240,000,000 H ordinary shares with nominal value of RMB1.00 each were issued at a price of HKD 2.60 per share by the Company.

Upon the completion of PRC IPO and overseas IPO and the conversion of relevant state-owned shares into H shares, the Company's registered capital and paid-in share capital both increased to RMB11,840 million. Reanda Certified Public Accountants verified the above PRC capital reception, and issued related capital verification report numbered Reanda-ZI (2008) No.1038. Ernst & Young Huaming Certified Public Accountants verified the above overseas capital reception, and issued related capital verification report numbered EY (2008) No.60626562_A01.

The Company completed the non-public issue of 1,963,000,000 A shares with par value RMB1.00 each, and the issue price was RMB4.46 per share, which was approved by the CSRC through Zheng Jian Xu Ke [2012] No. 210 on 20 February 2012. After this non-public issuance in the PRC, the Company's registered capital and paid-in share capital both increased to RMB13,803 million. Dahua Certified Public Accountants verified the above capital reception, and issued related capital verification report numbered Dahua [2012] No. 119.

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

(II) Trading background and restructuring plan

To promote global prosperity and development of rail transit equipment manufacturing industry, CSR and CNR Corporation (hereafter "CNR") in reached and signed a merger agreement 30 December 2014, announcing the merger of the two companies. Merger proposal will be related to absorption merge initiated by CSR by means of offering CSR A-share and CSR H-share to former A and H shareholders of CNR, as exchange of all shares of CNR and absorb CNR. Dissenting shareholders of CNR will have the right to receive cash from cash option provider in exchange for their holdings of CNR A and H share. The CNR A shares and CNR H shares (if any) acquired by the CNR cash option provider will be converted into CSR A shares and CSR H shares at the exchange ratio as stated below, which will then be held by the CNR cash option provider. Assuming that all shareholders of CNR approve the merger and elect to exchange shares at the exchange ratio, CSR will, in accordance with the terms of the merger agreement, issue a maximum of 13,485,758,333 CSR shares, consisting of a maximum of 11,138,692,293 CSR A shares and 2,347,066,040 CSR H shares. Upon completion of the merger, the registered capital of the post-merger new company will be RMB27,288,758,333, the aggregate number of its shares will be 27,288,758,333, among which 22,917,692,293 shares will be A shares representing 83.98% of its total shares and 4,371,066,040 shares will be H shares representing 16.02% of its total shares.

Under this merger, a single exchange ratio has been agreed in respect of the merger for A shares and H shares of CSR and CNR. The exchange ratio is 1: 1.10, meaning that each CNR A share shall be exchanged for 1.10 CSR A shares to be issued by CSR, and that each CNR H share shall be exchanged for 1.10 CSR H shares to be issued by CSR.

The exchange ratio has been agreed by taking the volume-weighted average prices of the relevant shares for the 20 trading days prior to and including the last trading date as the market reference prices, and giving full consideration to factors such as historical share prices, operating results and market capitalizations, and through arm's length negotiations. Specifically, the market reference prices for CSR A shares and CSR H shares are RMB5.63 per share and HK$7.32 per share respectively, and the market reference prices for CNR A shares and CNR H shares are RMB5.92 per share and HK$7.21 per share respectively. Based on the market reference prices and the exchange ratio, the exchange prices of CSR A shares and CSR H shares have been determined as RMB5.63 per share and HK$7.32 per share, respectively, and the exchange prices of CNR A shares and CNR H shares have been determined as RMB6.19 per share and HK$8.05 per share, respectively.

(III) Basic information on the counterparty

China CNR Corporation Limited is established as a joint stock company with limited liability in Beijing on 26 June 2008, with its head office located in No.15 Building, Fang Cheng Yuan Area One, Fengtai District, Beijing, China. The Company's parent and ultimate parent company is China Northern Locomotive & Rolling Stock Industry (Group) Corporation ("CNRG").

Headquartered in Beijing, CNRG is a state-owned enterprise formed on the basis of some entities under China National Railways Locomotive and Rolling Stock Industrial Corporation on 4 March 2002 with the State Council's approval in accordance with Guo Han [2002] No. 18. Pursuant to the State-owned Assets Supervision and Administration Commission (SASAC)'s Approval on the Overall Reorganisation and Domestic Listing of China Northern Locomotive & Rolling Stock Industry (Group) Corporation under ref. Guo Zi Gai Ge [2008] No.294 and pursuant to the SASAC's Approval on the Establishment of China CNR Corporation Limited under ref. Guo Zi Gai Ge [2008] No.570, CNRG, the principal initiator of CNR, was authorised to establish the CNR by way of injection of the investments of subsidiaries, the assets of CNRG's headquarter (collectively the "Injected Assets") and cash into CNR together with cash result. CNRG, Datong Qianjin Investment Co., Ltd., China Chengtong Holdings Group Limited, and China Huarong Assets Management Co., Ltd. jointly initiated and established CNR with a share capital comprising a total of 5,800,000,000 with a nominal value of RMB1 per Share. The number of shares held by CNRG, CNR Datong Qianjin Investment Co., Ltd., China Chengtong Holding Group Limited, China Huarong Assets Management Co., Ltd. are 5.29 billion, 451million, 34 million and 24million, accout for 91.23%, 7.78%, 0.58%, 0.41% of total shares of CNR.

Pursuant to the China Securities Regulatory Commission (CSRC)'s approval under ref. Zheng Jian Xu Ke [2009] No. 1270, CNR issued 2,500,000,000 ordinary shares of RMB1 each through the Shanghai Stock Exchange on 21 December 2009, and listed on the Shanghai Stock Exchange on 29 December 2009. After initial public offering of A Shares in China, CNR increased its registered capital and share capital to RMB8,300.00 million.

According to Zheng Jian Xu Ke [2012] No.184 ("The Official Approval about China CNR Corporation Limited Share Allotment") issued by CSRC, CNR has offered the shares on the basis of 2.5 shares for every 10 existing shares held (involving the entire share capital of 8,300,000,000 shares), to all shareholders whose names appeared on the register of members of the Company, as maintained by China Securities Depository and Clearing Corporation Limited, Shanghai Branch, after the close of trading on the Shanghai Stock Exchange on the share record date (i.e. 24 February 2012), and the par value of share was RMB1 each. As of 6 March 2012, a total of 2,020,060,000 shares were held by shareholders, and the Company's registered capital and share capital both increased to RMB10,320,060,000 a following of the capitalization issue.

According to Zheng Jian Xu Ke [2014] 404 ("The Official Approval about China CNR Corporation Limited Global Offering") issued by CSRC on 14 April 2014 and with the approval from the Hong Kong Stock Exchange, CNR issued 1,821,200,000 overseas listed foreign shares (H shares) and was listed on the Hong Kong Stock Exchange on 22 May 2014. On 13 June 2014, CNR issued 118,524,000 H shares with nominal value of RMB1 each pursuant to the exercise of the over-allotment Option in respect of the H shares. Meanwhile, the relevant shareholders of CNR reduced their shareholding of the State-owned shares by converting them into 193,972,400 H shares. Upon the completion of the transactions above, both the registered capital and share capital of CNR increased to RMB12,259.78 million.

CNR and its subsidiaries are principally engaged in R&D, design, manufacturing, refurbishment and services of rolling stock, including MUs, urban rail transit vehicles, engineering machinery and electromechanical equipment, electronic equipment and relevant parts and components, sales of and provision of technical services for related products, and equipment lease business; import and export; industrial investment related the above businesses; asset management; information consultation; etc.

II. BASIS OF PREPARATION FOR CONSOLIDATED FINANCIAL STATEMENT OF PRO FORMA

This consolidated financial statement of pro forma is prepared for the purpose of applying for merger CNR to SASAC, which is only used for submitting application document to SASAC.

For the purpose of providing more relevant information to relevant user, this pro forma consolidated financial statements have been prepared on the assumptions that the business structure established as a results of the transactions set out in Note I (II) had been in existence at the earliest beginning of the reporting period, and transactions involving issuance by CSR of new A shares and new H shares as exchange with A shares and H shares of CNR at the Exchange Ration of 1:1.10 as set out in Note I (II) had been completed at 31 December 2013 and 31 October 2014 respectively (please refer to 3 below for details), and have included CSR and its subsidiaries, and CNR and its subsidiaries ("the Enlarged Group", and for details of subsidiaries, please see Note VI) within the consolidated scope, and have been prepared under the following specific method.

1. This financial statement for pro forma is prepared on the basis of the audited consolidated financial statement of CSR and CNR for the period from 1 January 2014 to 31 October 2014 and for the year of 2013. The Company's consolidated financial statement for the period from 1 January 2014 to 31 October 2014 is audited by Deloitte Touche Tohmatsu CPA LLP, and issued auditor's report DE SHI BAO (SHEN) ZI (15) No. S0212. The Company's consolidated financial statement for the year of 2013 is audited by Ernst & Young CPA LLP, and issued auditor's report E&Y (2014) SHEN ZI No. 60626562_A01. The consolidated financial statement for the period from 1 January 2014 to 31 October 2014 and for the year of 2013 and 2012 is audited by KPMG CPA LLP, and issued auditor's report KPMG SHEN ZI No. 1500007.

2. Based on the particular purpose of preparing the financial statement, this consolidated financial statement for pro forma is only presented the Enlarged Group's consolidated financial position and consolidated operating result for the relevant period. Thus, this consolidated financial statement neither present the Company's financial statement and notes to the financial statement, nor present the relevant comparable financial statement and notes to the financial statement. The management of the Company believes that there is no substantive meaning of consolidated cash flow statement for pro forma, consolidated statement of changes in shareholders' equity for pro forma for the relevant period to the particular user for pro forma. Therefore, this consolidated financial statement did not prepare the consolidated cash flow statement and consolidated statement of changes in shareholders' equity for pro forma. Simultaneously, this financial statement for pro forma only presented limited notes related to the following basis of preparation. The assets and

liabilities measured at fair value, foreign currency financial assets and foreign currency liabilities, partial reports, financial instruments and risk management, and important financial information for non- wholly-owned subsidiaries are also not disclosed in this report.

3. This pro forma consolidated financial statement has consider the influence of issuing new shares under the merger proposal as stated in Note I (II). The pro forma consolidated financial statement has been prepared on the assumptions that the issuance by CSR of new A shares as exchange with (at the exchange ratio of 1:1.10) all the A shares of CNR in issue as at 31 December 2013 (including the A shares which was converted into H shares of CNR as a result of the transfer of state-owned shares by relevant state-owned shareholders of CNR in June 2014) had been completed at 31 December 2013; that the issuance by CSR of new H shares as exchange with (at the exchange ratio of 1:1.10) CNR H shares publicly issued in 2014 had been completed at 31 October 2014, and the items of shareholder's equity in the pro forma consolidated balance sheet should be presented as such accordingly; that the relevant merger costs of RMB150 million had occurred in 2013; that the net profit/total comprehensive income attributable to shareholders of the parent as set out in the pro forma consolidated income statement should represent the sum of the net profit/total comprehensive income attributable to shareholders of the Company prior to the merger and the net profit/total comprehensive income attributable to shareholders of CNR prior to the merger; and that the profit or loss/total comprehensive income attributable to minority shareholders as set out in the pro forma consolidated income statement should represent neither the net profit/ total comprehensive income attributable to the shareholders of the Company prior to the merger nor those attributable to the shareholders of CNR prior to the Merger.

4. This consolidated financial statement is already offset the significant transaction events and payables and receivables of the Company and CNR during relevant periods and balance sheet dates, according to the business structure after the completion of the assumed transaction above.

5. This transaction is the acquisition between companies in the same industry triggered by the restructure and reform of the industry for the country. Thus, based on the principle of substance over form, it is believed that the acquisition of the Company and CNR is substantively the acquisition under common control due to the restructure of the industry. Correspondingly, the assets and liabilities of CNR is combined at book value to the consolidated financial statement for Pro Forma.

6. For the specific accounting policies, please refer to Note IV "Significant Accounting Policies and Accounting Estimates".

III. STATEMENT OF COMPLIANCE

The pro forma consolidated financial statements have been prepared in accordance with the basis stated in Note II, truly and completely reflecting the pro forma consolidated financial position of the Enlarged Group as at 31 October 2014 and 31 December 2013 and the pro forma consolidated operating results for the period from 1 January 2014 to 31 October 2014 and the year of 2013.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basis of preparation and principle of measurement

The Enlarged Group's financial statements have been prepared under accrual-based accounting. All the items are measured at historical cost except for certain financial instruments. If impairment occurs, a provision for impairment should be accounted in accordance with the relevant standards.

Under historical cost method, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances (for example, income taxes), at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Fair value as 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 measures and/or disclosures of fair values are determined under the price whatever the fair value can be observed or estimated on the estimated techniques.

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

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

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

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

2. Accounting period

The financial year for the Enlarged Group is from 1 January to 31 December of each year in solar calendar. The periods of the pro forma consolidated financial statements are from 1 January 2014 to 31 October 2014 and 2013 financial year.

3. Reporting currency

The reporting currency of CSR, CNR and the pro forma consolidated financial statements are RMB. The monetary Company is RMB except for special explanation.

The subsidiaries, joint ventures and associated business of the Enlarged Group determined the recording currencies according to their own operating environment, which are translated into RMB when preparing the pro forma consolidated financial statements.

4. Business combinations

Business combination refers to two or more separate entities into a transaction or event of a reporting entity. Business combinations are classified into the control by the same enterprise and not control by the same enterprise.

A business combination not 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.

Business combination under common control

If the companies involved in the merger are subject to the same party or parties' ultimate control before and after the merger and the control is not temporary, it is businesses combination under common control. In a business combination under common control, the party which gets the control of other party on merger date is the merge party. Merger date refers to the date that the merge party actually obtains control of the combined party.

Assets and liabilities acquired in a business combination under same control, the merger date are measured at book value of the merged party. The net book value of assets acquired by the acquirer and payment of the merger consideration book value (or nominal value of shares issued) shall be adjusted in the share premium reserve capital, insufficient, any excess is adjusted to retained earnings.

The direct cost of the business combination is recognised as profit or loss of the period.

Business combination not under common control

The companies involved in the merger after the merger is not the same party or the same parties ultimately controlled is Business combination not under the same control.

The cost of the merger means the paid of acquiree's assets paid, the fair value of liabilities incurred or assumed, and equity instruments for the acquirer to obtain control of the issued. Purchaser for audit, legal, consulting services, and other intermediary fees and other administrative expenses of the business combination, in the event of a profit or loss.

Acquiree's identifiable assets, liabilities and contingent liabilities acquired at fair value in business combination not under common control at the acquisition date.

The differences of sum of payable consolidated fair value (or issued equity securities fair value) and shares of acquiree held before purchase date and the acquiree identifiable net assets of the fair value are determined as goodwill. The total value of the fair value of the merged consideration being paid(or the fair value of the equity securities issued) along with the fair value of the acquiree's share hold on hand before the purchase date, less than the share of the fair value of the acquiree's net identifiable assets within the merger, acquiree's all identifiable assets, liabilities, fair value of the contingent assets, and the fair value's measurement of the consolidation of payment of consideration(or the fair value of the equity securities issued) along with the fair value of the acquiree's share hold on hand before the purchase date, should be reviewed prior. The total value of the fair value of the

merged consideration being paid (or the fair value of the equity securities issued) along with the fair value of the acquiree's share hold on hand before the purchase date after being reviewed, still less than the share of the fair value of the acquiree's net identifiable assets within the merger, the difference should recorded under the current profits and losses. If the consolidated are happened at the end of period, all the recognized assets, liabilities and contingent liabilities or all the temporary determined are determined and measured by temporary value by purchasers. Adjustment of temporarily determined value within 12 months of purchase date are determined and measured on purchase day.

5. Goodwill

Goodwill arised from acquisition of corporations is presented separately in the pro forma consolidated statement of financial position and it is measured at the cost less accumulated impairment losses. Impairment test should be conducted at the end of each financial year, or more frequently.

For the purpose of impairment testing, goodwill is allocated to each of the Enlarged Group's cash-generating Companies (or groups of cash-generating Companies) that is expected to benefit from the synergies of the combination. A cash-generating Company to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the Company may be impaired. For goodwill arising on acquisition in a reporting period, the cash-generating Company to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable allocated first to reduce the carrying amount of any goodwill allocated to the Company and then to the other assets of the Company on a pro-rata basis based on the carrying amount of each asset in the Company.

The recoverable amount of an asset or a cash-generating Company is the higher of its fair value less costs to sell and its value in use.

Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

6. Consolidated financial statements

The scope of consolidated financial statements is based on control. Control means an enterprise can decide the financial and manage policy of another enterprise and have

authority to earn the benefit from another enterprise. A subsidiary is an enterprise or entity controlled by the Company and CNR. The financial condition results of operations and cash flows of subsidiaries included in the consolidated financial statements by controlling the start date until the end of date.

For the subsidiary companies controlled by the same enterprise, whether the combination occurs in any point of the reporting period, as if the subsidiary from the same date by the ultimate controlling party of the Enlarged Group's consolidated.

The subsidiary company not controlled by the same enterprise, which in the preparation of the current period financial statement, based on the identifiable assets determined on the acquisition date and the fair value of the liability from the date of purchase will be the acquisition of subsidiaries are included in the scope of consolidation.

The difference between the cost of purchasing long-term equity investment of minority and the added share of the identifiable net assets from the acquisition date, adjusted the capital reserve(share premium) in the consolidated balance sheet, capital reserves (share premium) insufficient excess is adjusted to retained earnings.

Equity, profit and loss and comprehensive income attributable to minority shareholders of subsidiaries are separately showed after the shareholders' equity in the pro forma consolidated balance sheet and pro forma consolidated income statement the net profit and total comprehensive income items.

If the minority shareholders share the loss exceeds the opening owners' equity share, the balance is allocated against minority interests.

When the accounting period or accounting policies adopted by subsidiaries and the Company is different, In accordance with the accounting period or accounting policies of the Company's financial statements of subsidiaries to make the necessary adjustments on consolidation. Assets, liabilities, equity, revenues, expenses and cash flows of all transactions between the companies within the Enlarged Group are generated at the time of the merger offset the full amount.

7. Cash and cash equivalents

Cash refers to the Enlarged Group's cash on hand and deposits can be used to pay; Cash equivalents are the investment that short-term held by the Enlarged Group, strong liquidity easily convertible to known amounts of cash, an insignificant risk of changes in value.

8. Translation of foreign operations and foreign currency financial statements

For the transactions of the Enlarged Group in foreign currencies, amount in foreign currencies are converted into the functional currency.

Foreign currency transactions are initially recognized at the transaction date exchange foreign currency amounts are translated into functional currency amount. At the balance sheet date, the balance sheet date exchange rate for foreign currency monetary items. Exchange difference caused by previous balance sheet date exchange rate when different spot exchange rate on that date and the initial recognition, except: (1) foreign currency exchange differences are eligible for capitalization of specific borrowings are capitalized during the capitalization confirm exchange differences (2) Confirm exchange differences for other changes in addition to the book balance of the amortized cost of produce sold to foreign monetary items in other comprehensive income are recognized in profit or loss.

Non-monetary items measured at historical cost still adopted the spot exchange rate in the transaction date without changing the amount of functional currency. Non-monetary items measured at fair value, the fair value is determined using the spot rate on the date, the difference between the amount of functional currency after translation and the original currency amount, as the changes in fair value (including foreign exchange rates) profit or loss or other comprehensive income.

For overseas business, the Enlarged Group converted bookkeeping currency into Renminbi in the preparation of the pro forma consolidated financial statements. In balance sheet, assets and liabilities are converted at the spot exchange rate of the balance sheet date, and all of the shareholders equity are measured by the spot exchange rate, in addition to the shareholder rights items "undistributed profits" item; revenue and expense are measured on the average rate in the cash flow. All of the foreign currency conversion differences are measured to other comprehensive income according to methods above. When disposal overseas business, the other comprehensive income related to overseas business are converted into the disposal of the profits and losses of the current. When disposal part of equity investment or other reasons of decreased working invest without losing the control of overseas business controls, the conversion differences according to overseas business disposal related to foreign statements are not into current profits and losses. When disposal of part shares of overseas associates or joint venture, the foreign currency statement conversion differences of overseas business disposals percentage are measured into disposal of current profits and loss.

9. Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the

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

Effective interest method

Effective interest method represents the method for calculating the amortized costs and interest income or expense of each period in accordance with the effective interest rate of financial assets or financial liabilities (inclusive of a set of financial assets or financial liabilities). Effective interest rate represents the rate that discounts the future cash flow over the expected subsisting period or shorter period, if appropriate, of the financial asset or financial liability to the current carrying value of such financial asset or financial liability.

When calculating the effective interest rate, the Enlarged Group will consider the anticipated future cash flow (not considering the future credit loss) on the basis of all contract clauses of financial assets or financial liabilities, as well as consider all kinds of charges, transaction fees and discount or premium paid forming an integral part of the effective interest rate paid or received between both parties of financial asset or financial liability contract.

Classification, recognition and measurement of the financial assets

Financial assets purchased and sold in regular way are recognized and derecognized based on the accounting at transaction date. Financial assets are divided into financial assets at fair value through profit or loss, held-to-maturity investments, loans and the accounts receivable and available for-sale financial assets when they are initially recognized. Financial instruments held by the Enlarged Group are into financial assets at fair value through profit or loss, loans, the accounts receivable and held-for-trading financial assets.

Financial assets carried at fair value through profit or loss for the current period

Financial assets carried at FVTPL for the current period for the Company include financial assets held for trading and financial assets designated as at fair value through profit or loss for the current period.

Financial assets may be classified as financial assets held for trading if one of the following conditions is met: (1) the financial assets is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (2) the financial assets is part of a portfolio of identified financial instruments that are managed together and for which there is objective evidence of a recent pattern of short-term profit-taking; or (3) the financial assets is a derivative, excluding the derivatives designated as effective hedging instruments, the derivatives classified as financial guarantee contract, and the derivatives linked to an equity instrument investment which has no quoted price in an active market nor a reliably measured fair value and are required to be settled through that equity instrument.

A financial asset may be designated, on initial recognition, as at FVTPL if either: (1) the designation eliminates or significantly reduces a measurement or recognition inconsistency of the related gains and losses that would otherwise result from measuring assets or liabilities on different bases; or (2) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, and information about the Enlarged Group is reported on that basis to the Enlarged Group's key management personnel. The Enlarged Group's formal documentation has been prepared with respect to such risk management or investment strategy. (3) Eligible mixed tools which contain embedded derivatives.

Financial assets at FVTPL are subsequently measured at fair value, with gains or losses arising from changes in fair value as well as dividends and interest income related to such financial assets recognized in profit or loss for the current period.

Loans and trade receivables

Loans and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, adopting the actual interest rate method to carry out the ongoing measure based on amortized costs. On de-recognition, profit or loss arising from impairment or amortization is carried at profit or loss for the current period.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are, upon initial recognition designated as available for sale, and financial assets other than those carried at FVTPL, loans and receivables and held-to-maturity investments. Available-for-sale financial assets are measured on an on-going basis at fair value. Gain or loss on available-for-sale financial assets, except for impairment losses and exchange differences on monetary financial assets and amortized cost carried at profit or loss for the current period, shall be recognized as other comprehensive income. The financial assets shall be carried at profit or loss for the current period until they are derecognized or impairment. Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognized at profit or loss for the current period.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost.

Impairment of financial assets

In addition to financial assets at FVTPL for the current period, the Enlarged Group reviews the book value of other financial assets at each balance sheet date and provide for impairment where there is objective evidence that financial assets are impaired. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence of impairment on financial asset includes those observable matters listed as follows:

(1) issuers or debtors encounter severe financial difficulties;

(2) Debtors violate terms of contract, such as breach of rulers or delay during settlement of interests or principal;

(3) The Enlarged Group, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtors;

(4) It becoming probable that the debtors will enter bankruptcy or other financial reorganizations;

(5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

(6) Any reduction in cash flow of certain assets among a group of financial assets cannot be identified, while it is discovered that the estimated future cash flow of the financial assets has been reduced and can be measured since initial recognition after an overall evaluation based on disclosed information, including that:

— Adverse changes in the payment status of debtor in the Enlarged Group of financial assets;

— Economic conditions in the country or region of the borrower which may lead to a failure to pay the Enlarged Group of assets;

(7) The issuer may not recover the investment costs due to adverse changes in technological, market, economic or legal environment.

(8) A significant or prolonged decline in the fair value of an investment in an equity instrument (on the balance sheet date, if the equity tools invest fair value lower than initial investment cost 50%), or lower than the initial investment costs more than 12 months (included 12 months).

(9) Other objective evidence indicating there is an impairment of a financial asset.

Impairment of financial assets measured at amortized cost

The carrying amount of financial assets measured at amortized cost is subsequently reduced to the present value discounted from its projected future cash flow (without future credit losses that have not been occurred) at its original effective interest (Effective interest rate determined at initial recognition), considering the value of collateral. The reduced amount is recognized as impairment loss and recorded as profit or loss for the year.

For a financial asset that is individually significant, the Enlarged Group assesses the asset individually for impairment. There are objective evidences indicate that there has impairment for a financial asset, the amount of reduction is recognized as an impairment loss in profit or loss. For a financial asset that is not individually significant, the Enlarged Group assesses the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Enlarged Group determines that no objective evidence of impairment exists for an individually assessed

financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

If, subsequent to the recognition of an impairment loss on financial assets carried at amortized cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment of available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income and included in the capital reserve.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. While the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

Transfer of financial assets

Financial asset that satisfied any of the following criteria shall be derecognized: (1) the contracted right to recover the cash flows of the financial asset has expired; (2) the financial asset, along with substantially all the risk and return of the ownership of the financial asset, has been transferred to the transferee; and (3) the financial asset has been transferred to the transferee, and the transferor has given up the control on such financial asset, though it does not transfer or retain substantially all the risk and return arising from the ownership of the financial asset.

If the Enlarged Group neither transfer nor retained almost all the risks and payments of the ownership of financial assets, and the Enlarged Group do not give up the control of financial assets, the financial asset should be continuous recognized according to the extent of continuous holding and relevant liabilities should be recognized as well. The extent of continuous holding the financial assets is the risk level facing by the entity when the value of the financial assets fluctuated.

Where the entire transfer of financial assets meets conditions applicable to derecognition, the difference between the following amounts is recognized in profit or loss for the current period: the carrying amount of the financial asset being transferred and the sum of the consideration received from the transfer and any accumulated gain or loss that had been recognized in equity.

Partial transfer of financial which meets the conditions of termination of recognition, book value of the transferred financial asset in the confirmation of the termination and termination of recognition between not part according to the relative fair value allocation, and will receive due to transfer to the price and should be assessed to terminate the recognition of changes in the fair value of part of the original into the accumulated other comprehensive income and the amount of the carrying amount and allocation of the balance shall be measured in profit or loss.

Classification, recognition and measurement of financial liabilities

The Enlarged Group recognizes financial instruments include financial liabilities or equity instruments according to the substance of contracts and the definition of financial liabilities and equity instruments.

At initial recognition, financial liabilities are classified either as "financial liabilities at FVTPL" or "other".

Financial liabilities at FVTPL

Financial liabilities measured at their fair value and changes through profit or loss financial liabilities, including trading and financial liabilities designated as at fair value and changes through profit or loss financial liabilities.

Those meets one of the following conditions of financial liabilities can be classified as trading financial liabilities: (1) The purpose of obtaining the financial liabilities mainly in order to buy back in the near future; (2) Initially recognized as part of the identified centrally managed portfolio of financial instruments, and there is objective evidence that the Enlarged Group's near-term profit decision making on the management of the portfolio; (3) Belongs to derivative financial instruments category, but also designated as effective hedging instruments derivatives, financial guarantee contracts derivative, and linked to not quoted in an active market and whose fair value cannot be reliably measured by equity instruments investments and must be settled by delivery of equity instruments of the derivative instruments are excluded.

Financial liabilities in line with one of the following conditions at the time of initial recognition can be specified as the financial liability of financial assets and financial liabilities at fair value through profit or loss: (1) The designation eliminates or significantly reduces as the basis for the measurement of financial liabilities as a result of different related gains or losses in terms of recognition and measurement of the discrepancy; (2) The Enlarged Group risk management or investment strategy of formal written document has stated that the combination of financial liabilities financial liabilities or portfolio of financial assets and financial liabilities at fair value based management, evaluation and reporting to key management personnel; (3) Qualifying mixed tools contain embedded derivatives.

Financial liabilities at fair value through profit and loss are subsequently measured at fair value, with gains or losses arising from changes in fair value of financial liabilities as well as those related to dividends and interest income statement.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from de-recognition or amortisation is recognised in profit or loss for the current period.

The financial guarantee contract

Financial guarantee contract, is the guarantee and a creditor agreement, when the debtor fails to perform the debt, guarantee performs the obligation or bear the liability according to the agreement of the contract. The financial guarantee is measured according to the fair value at the initial recognition, which is not belong to the designated at fair value and whose fluctuations are included in the current profits and losses of the financial liabilities of the financial guarantee contract, after the initial recognition in accordance ABSE 13-Contingency, the certain amount deducted from the amount of initial recognition according with ABSE 14 Revenue, subsequently measured with the higher of residual accumulated amortisation.

Derecognition of financial liabilities

Financial liabilities are derecognised in full or in part only when the underlying present obligation is discharged in full or in part. An agreement is entered into between the Enlarged Group (debtor) and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, derecognise the original financial liabilities as well as recognise the new financial liabilities.

When financial liabilities is derecognised in full or in part, the difference between the carrying amount of the financial liabilities derecognised and the consideration paid (including transferred non-cash assets or new financial liability assumed) is recognised in profit or loss for the current period.

Derivative instruments

Where the Enlarged Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

Offsetting financial assets and financial liabilities

Where the Enlarged Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the pro forma balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the pro forma balance sheet and shall not be offset.

Equity instruments

Equity instruments are any contract that evidences a residual interest in the assets of the Enlarged Group after deducting all of its liabilities. The Enlarged Group issues (include refinances), repurchases, sells or cancelled equity tools as movement disposals. The Enlarged Group shall not recognise the changes of the equity instruments' fair value. The trade expense related to equity transaction is deducted from the equity.

10. Inventory

Inventories include raw materials, products in process, consigned processing materials, working/revolving materials, completed but unsettled items, etc.

Inventories are initially measured at cost. The Cost of inventories includes purchasing cost, processing cost and others. When inventories are delivered, special identified method, first-in, fist-out method and weighed average method are adopted to determine the actual cost of inventories delivered. Revolving materials include low-value consumables and packing materials amortising amortized by immediate write-off or Divide second amortise method. The cost of a construction contract includes direct and indirect cost related to execution of the contract from the beginning to the end. Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the pro forma consolidated balance sheet as the inventory, as applicable. Progress billings not yet paid by the customer are included under "advanced from customer".

The perpetual inventory system is maintained for stock system.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision for decline in value of inventories is recognized. After provision for decline in value of inventories has been made, if the circumstances that previously caused inventories to be written down no longer exist which results in the net realizable value being higher than the carrying amount, the amount of the write-down is reversed in profit or loss for the current period; the reversal is limited to the amount originally provided for the decline in value of inventories.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

During making provision for decline in value of inventories, Raw materials and finished goods are accrued to a single Company. For items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicably evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis.

11. Long-term equity investment

Foundation to determine common control and significant influence to investee

Control is a kind of power that owned by investors. Investors can be able to get variable returns through taking part into investees' relating activities. The amount of return could also be influenced by investors' controlling power. Common control is a common power to an arrangement base on relating agreements. The decision become effective only when participants all agree. Investors have significant influence to investees' means investor can participate in investee's decision-making about financial and operating policies. However, investor cannot fully control the decision-making. When determine whether the investor can make significant influence to investee, executable warrants in the current period and other potential Voting rights items should be considered.

Determination of cost of investment

The long-term equity investment using equity method is initially measured at its cost.

Methods for subsequent measurement and recognition of profits and loss

A long-term equity investment accounted for using the equity method

The Enlarged Group accounts associates and joint ventures using the equity method. Associates are the investees that the Enlarged Group can have significant influence in. Joint ventures are the joint arrangements that the Enlarged Group only have rights to the net assets of them.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Enlarged Group'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 Enlarged Group'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 for the current period, and the cost of the long-term equity investment is adjusted accordingly.

When using the equity method of accounting, the current investment gains and losses and other comprehensive income is to be enjoyed or its share of the net profit or loss and other comprehensive income in the current year's investment. While recognising its share of the investee's net profit or loss and other comprehensive income when the investee to obtain the fair value of identifiable assets as the basis, and in accordance with the accounting policies and accounting period of the Enlarged Group, to be invested net income and other comprehensive income after adjustment for confirmation. For transactions between the Enlarged Group and its associates and joint ventures, investment or sale of assets does not constitute a business, unrealised trading gains and losses attributable to the Enlarged Group's equity ratio should be offset partially confirmed the investment on the basis of gains and losses. However, the Enlarged Group and its investees unrealized trading losses, impairment losses on assets belonging to the transfer, not should be offset. Except for net gains and losses in other comprehensive income and profit distribution of other changes in equity investees, adjust the book value of long-term equity investment and owner's equity corresponding.

When recognising its share of net losses of investment to the carrying value of long-term equity investments and other long-term interests substantially from net investment is written down to zero. In addition, as the Enlarged Group has the obligation to assume additional losses, the press is expected to confirm the estimated liability obligations included in the current investment losses. After the Company has been invested to achieve net profits, the Enlarged Group share of profits to cover losses unrecognised investment after restoration confirm the amount of revenue sharing.

Disposal of long-term equity investment

Disposal of long-term equity investment, the difference between the book value and the actual purchase price included in profit or loss. Long-term equity investments accounted using the equity method, when disposing of adoption and its investees directly related to the disposal of an asset or liability on the same basis, according to the corresponding proportion of the original part recognized in other comprehensive income are accounted for.

Long-term equity investment impairment test and impairment provision, see Note (IV) 24.

12. Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model and stated in the pro forma consolidated balance sheet at cost less accumulated depreciation, amortization and impairment losses. The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated or amortized using the straight-line method over its estimated useful life.

The estimated useful lives, residual value rates and depreciation rates of each class of investment properties are as follows:

	Useful life *(years)*	**Residual value rate** *(%)*	**Depreciation rate** *(%)*
Plant and buildings	20-50 years	3%-5%	1.90%-4.85%
Land use rights	50 years	0%	2%

13. Fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and have useful lives more than one accounting year.

Subsequent expenditure incurred on a fixed asset is included in the cost of the fixed asset, only if it is probable that economic benefits associated with the asset will flow to the Enlarged Group and the relevant cost can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditure that fails to meet the capitalization criteria is charged to profit or loss when incurred.

A fixed asset is initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered, including price of purchase and related taxes.

The accrual of depreciation of fixed assets uses the straight-line method. The useful lives, estimated net residual values rate, annual depreciation are as follows,

	Useful lives	Estimated net residual values rate	Annual depreciation rate
Buildings	10-50 years	3-5%	1.90-9.50%
Machinery	6-28 years	3-5%	3.39-15.83%
Motor vehicles	5-15 years	3-5%	7.92-19.40%
Other equipment	5-12 years	3-5%	6.33-19.40%

Estimated net residual value of a fixed asset is the estimated amount that the Enlarged Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

When a fixed asset is sold, transferred, retired or damaged, the Enlarged Group recognizes the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss for the current period.

The Enlarged 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. A change in the useful life or estimated net residual value of a fixed asset or the depreciation method used is accounted for as a change in an accounting estimate.

Subsequent measurement of fixed asset leased under finance lease

The lease that satisfies one or more conditions as follows are identified as finance lease,

The depreciation principle is consistent with fixed assets when dealing with leased assets. The asset which can be reasonably determined the ownership of the leased asset at the expiry of the lease period is depreciated over the life of the lease. The asset which cannot be reasonably determined the ownership at the expiry of the lease period is depreciated utilizing the shorter period between lease term and asset use life.

Impairment test and provision for impairment of fixed asset, See Note (IV) 24.

14. Construction in progress

Construction in progress is recognized at its actual construction cost, including all expenditures incurred for construction projects, capitalized borrowing costs for the construction in progress before it is ready for intended use, and other related expenses during the construction period.

A construction in progress is transferred to fixed assets when it is ready for intended use.

The impairment test and impairment provision of construction in progress, see Note (IV) 24.

15. Borrowing costs

Borrowing costs refer to interest and other related costs incurred by the Enlarged Group for borrowings, including interests on borrowings, amortisation of discounts or premiums, supplementary costs, and foreign exchange differences arising from borrowings in foreign currencies.

The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized.

Capitalization of such borrowing costs can commence only when all of the following conditions are satisfied:

(1) Expenditures for the asset incurred;

(2) Borrowing costs 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.

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The amount of other borrowing costs incurred is recognized as an expense in the period in which they are incurred.

During the period of capitalization, the amount of interest capitalized during each accounting period is calculated by the following method:

(1) Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized 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 under general-purpose borrowings, the amount of interest to be capitalized on such borrowings is determined by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditure on the asset over and above the amounts of specific-purpose borrowings.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production is resumed. The borrowing cost shall be recognised as expenses during the interruption and measured through profits or loss until the assets construction or production activities restart.

16. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination not involving enterprise under common control is the fair value as at the date of acquisition.

The useful lives of intangible assets determined by the period that it can make economic benefits flow to the Enlarged Group. For those intangible assets that are unable to foresee the beneficial period, group classified it as intangible assets with uncertain useful lives.

Useful lives of intangible assets are as follows:

	Useful lives
Land-use right	50 years
Proprietary technology and industrial property	3-10 years
Software license	2-10 years
Customer relations	7-15 years
Unfinished order and preferential technical services contract	2-5 years
Others	2-10 years

Land-use right acquired is normally recognized as an intangible asset. Self-constructed buildings (e.g. plants), related land-use right and the buildings are separately accounted for as an intangible asset and fixed asset. For buildings purchased, the purchase consideration is allocated among the buildings and land-use right on a reasonable basis. In case there is difficulty in making a reasonable allocation, the consideration is recognized in full as fixed assets.

An intangible asset with a finite useful life is amortised using the straight-line method over its useful life when the asset is available for use. The Enlarged Group shall review the finite useful life of an intangible asset and the amortization method applied at the end of the twelve months. A change in the useful life or amortization method used shall be accounted for as a change in accounting estimate.

For an intangible asset with an indefinite useful life, no matter there is evidence indicating the impairment, the Enlarged Group reassesses the useful life of the asset in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Enlarged Group estimates the useful life of that asset and applies the amortization policy applicable to an intangible asset with a finite useful life accordingly.

Expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase is recognized in profit or loss in the period in which it is incurred.

Expenses incurred during the development stage that satisfy the following conditions are recognized as intangible assets, while those that do not satisfy the following conditions are accounted for in the profit or loss for the current period: it is technically feasible that the intangible asset can be used or sold upon completion; there is intention to complete the intangible asset for use or sale; the intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there is usage for the intangible asset; there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset; the expenses attributable to the development stage of the intangible asset can be measured reliably.

It is difficult to classify the expenditure into research stage and developing stage. Therefore, all of the expenditures of development are accounted in to current profit and loss.

The method of testing the impairment of intangible assets and the method for accruing provision for impairment is recorded in Note (IV) 24.

17. Long-term prepaid expense

Long-term prepaid expenses is the expense that already occurred but should be assessed to the current period and future period. The period of apportion should be more than one year. During the expected beneficial period, long-term prepaid expenses was divided by the straight-line method.

18. Provisions

An obligation related to a contingency is recognized as a provision when all of the following conditions are satisfied: (1) the obligation is a present obligation of the Enlarged Group; (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and (3) the amount of the obligation can be measured reliably.

At the balance sheet date, a provision is measured at the best estimate of the expenditure required to settle the related present obligation, taking into account the factors pertaining to a contingency such as the risks, uncertainties and time value of money.

19. Share-based payments

Share based payment, divided into the equity settled share based payment and cash settled share based payment. Employees (including directors) of the Enlarged Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The Enlarged Group adopts the equity-settled share payment.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The best estimate of the number of the vested equity instruments in the waiting period is the basis of the fair value. The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Enlarged Group's best estimate of the number of equity instruments that will ultimately vest.

The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Enlarged Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

The fair value is determined by using the Black-Scholes model.

20. Revenue

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

From the sale of goods

When the significant risks and rewards of ownership have been transferred to the buyer, provided that the Enlarged Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. The amount of the sale of goods is determined by the contract or the agreement, unless the price is not fair.

From the providing of services

At the balance sheet date, revenue from the providing of services is recognized based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is treated as an amount due to contract customers.

When the contract or agreement signed between the Enlarged Group and other enterprises including the sale of goods and services, if the amount of sales of goods and rendering of services can be measured separately, the revenue will be recognized partly; if the amount of sales of goods and provision of services can not be distinguished, or are able to distinguish but can not be measured, the entire contract is counted as selling goods.

From construction contracts

At the balance sheet date, where the outcome of a construction contract can be estimated reliably, contract revenue and contract expenses associated with the construction contract are recognized using the percentage of completion method. The stage of completion of a contract is determined based on the proportion of contract costs incurred for work performed to date to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably:

If the contract costs can be recovered, revenue is recognized to the extent of contract costs incurred that can be recovered, and the contract costs are recognized as contract expenses when incurred.

If the contract costs cannot be recovered, the contract costs are recognised as contract expenses immediately when incurred, and no contract revenue is recognised.

Interest income

Interest income is recognized on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

Royalty revenue

Calculated and determined in accordance with the charging time and method of the contract or agreement.

Rental income

Rental income from operating leases is recognized on a straight-line method over the lease terms; The larger amount of initial direct costs are capitalized when incurred and counted to profit and lose during the entire period of the lease, the same stage of the confirmation of rental income. For other initial direct costs and contingent rental included in the profit and loss when incurred.

21. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Enlarged Group at no consideration. A government grant is recognized only when the Enlarged Group can comply with the conditions attaching to the grant and the Enlarged Group will receive the grant.

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 non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the year in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the current period. For a government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset. A government grant measured at a nominal amount is recognized immediately in profit or loss for the current period.

22. Income tax

Income tax includes current and deferred tax. Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

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

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

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

(1) Taxable temporary differences are produced in the following transactions: Initial recognition of goodwill, when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

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

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

(1) The deductible temporary differences are produced in the following transactions: the transaction is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

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

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

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

When the Enlarged Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

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.

23. Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease business with the Enlarged Group recorded as lessee

Lease payment for operating lease is recognised in profits and losses for the current period using the straight-line method over the lease term. Contingent rent is recognised as profit or loss for the current period upon occurrence.

Operating lease business with the Enlarged Group recorded as lessor

Rental income of operating lease is recognised in profit or loss for the current period using the straight-line method over the lease term. The initial direct cost where the amount is larger is capitalised when incurred, and accounted for as profit or loss for the current period on the same basis as recognition of rental income over the entire lease period. The initial direct cost where the amount is smaller is accounted for as profit or loss for the current period when incurred. Contingent rental is accounted for as profit or loss when which it is incurred.

Finance leases business with the Enlarged Group recorded as lessee

At the commencement of the lease term, the Enlarged Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease, and recognises a long-term payable at an amount equal to the minimum lease payments. The difference

between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognized finance charge. Initial direct costs that are attributable to the leased item during the process of negotiating and securing the lease agreement are added to the amount recognized for the leased asset. Identification and valuation methods based on property, plant and equipment under finance leases are contained in Note (IV) 13.

Unrecognized finance charges are allocated to each period during the lease term; finance charges for the current period are recognized using the effective interest method. Contingent rents are charged to profit or loss in the period in which they are actually incurred. The net amount of long-term payables under finance leases less unrecognized finance charges is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

Finance leases business with the Enlarged Group recorded as lessor

At the commencement of the lease term, the Enlarged Group recognizes the aggregate of the minimum lease receipts at the inception of the lease and the initial direct costs as a finance lease receivable, and record the unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the aggregate of the present value are recognized as unearned finance income. Unearned finance income is allocated to each period during the lease term; finance income for the current period is recognized using the effective interest method. Contingent rents are charged to profit or loss in the period in which they actually arise.

The net amount of finance lease receivables less unearned finance income are recorded into long-term debts receivable and the portion of long-term debts receivable due within one year for presentation separately.

Leaseback

According to the Enlarged Group's sales and leasing terms, if sale and leaseback transaction is defined as a finance lease, the difference between the selling price and the book value of assets should be deferred and amortized in accordance with the depreciation of the leased asset, as the adjustment of the depreciation expense.

24. Impairment assets

The Enlarged Group assesses at the end of each reporting period whether there is any objective evidence that the long-term equity investment, fixed assets, construction in process, investment properties and intangible assets with definite useful life of use are impaired. Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. If the financial assets is impaired, The Enlarged Group assesses at each balance sheet date whether there is any indication that any intangible assets with an infinite useful life may be impaired.

If there is any evidence indicating that an asset may be impaired, recoverable amount were estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Enlarged Group shall determine the recoverable amount of the asset group to which the asset belongs.

If the recoverable amount of an asset were less than its carrying amount, a provision for impairment loss of the asset would be made for the reduction and is charged to profit or loss for the current period.

An impairment loss recognized for the assets mentioned above should not be reversed in any subsequent period.

25. Employee benefits

Employee benefits are all forms of consideration given by the Enlarged Group in exchange for service rendered by employees or termination of employment relationship. Employee benefits includes short-term employee benefits, post-employment benefits, terminates of employment benefits, and other long-term employee benefits. Employee benefits indirectly provided by the Enlarged Group to the employees' spouses, children or other dependants are also regarded as employee benefits.

In the accounting period in which an employee has rendered services, the Enlarged Group shall recognize the employee benefits payable as a liability excluding for compensation for cease of employment.

The Enlarged Group participates in social security systems operated by the government as required. Payments of social security contributions for employees, such as premiums or contributions on pensions, medical insurance, payments of housing funds and other social welfare contributions shall be included in the cost of related assets or profit or loss when they are incurred.

When the Enlarged Group terminates the employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy. The Enlarged Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees were recognized with a corresponding charge to the profit or loss for the period:

(1) when the Enlarged Group cannot unilaterally withdraw the offer for labor relations plan or written off the recommended termination benefits;

(2) The Enlarged Group should confirm the payment that related to the restructuration of termination benefits to corresponding costs or expenses.

Employee retirement benefits (defined benefit plan)

For defined benefit plans, the cost of providing benefits is determined using the projected Company credit method, with actuarial valuations being carried out at the end of each annual reporting period. Defined benefit costs are categorized as follows:

(1) Service cost including current service cost, past service cost, as well as gains and losses on curtailments and settlements. Current service cost refers to the increments of the defined benefit obligation that employees provide services during the current period; moreover, past service cost measures the increase or decrease in defined benefit obligation in prior period that caused by the restructuration of previous employee benefit plan;

(2) Net interest of defined benefit assets or liabilities, including the interest income of planned assets, interest expenses of the defined benefit liabilities and the interest that influenced by the upper limitation of assets.

(3) Changes that caused by re-measurement of defined benefit liabilities or defined benefit assets.

Unless other accounting standard should require or allow to record employee benefits costs to the costs of assets, the Enlarged Group would record (1) and (2) above to profit or losses in the current period; and record (3) above to other comprehensive income, and do not adjust to profit or losses in the following accounting period.

26. Dividends

The cash dividends of the Company and CNR are recognized as liability after the approval on shareholders' meeting.

27. Safety production costs

Extracting the safety production costs according to the regulation, included in the cost of the products or the profit or loss, as well as included in the special reserve. When used to distinguish whether the formation of fixed assets is treated separately: the cost of the expenses are directly offset against to the special reserve; when the others reaches their intended use, recognized the fixed assets, as well as offset special reserves and confirm equivalence depreciation.

28. Significant accounting judgments and estimates

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

Judgments

In the process of applying the Enlarged Group's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the pro forma consolidated financial statements:

De facto control over subsidiaries

When the Enlarged Group's management considers whether the bodies of which the Enlarged Group holds less than 50% main stake is its subsidiaries, the Enlarged Group primarily assesses whether it has the power to control them, by assessing whether the Enlarged Group has the ability to lead the bodies to actual activities unilaterally. In making this judgment, the Enlarged Group's management considers whether it has the absolute control size, and the relative size and distribution of other shareholders.

The bodies of which the Enlarged Group holds higher than 50% of the stake are classified as joint ventures

When the Enlarged Group's management considers whether the bodies of which the Enlarged Group holds more than 50% stake is its joint ventures, it mainly assesses whether its legal form allows the parties in the joint venture arrangements separate from the body. In addition, if there is no contract or any other facts and circumstances indicate that all parties in the joint venture arrangement enjoy the rights and undertake the obligations of liabilities of the joint venture arrangements.

Estimation uncertainty

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

Depreciation and amortization of assets such as investment properties, fixed assets and intangible assets

As described in Note IV. 12, 13 and 16, assets such as investment properties, fixed assets and intangible assets are depreciated and amortized over their useful lives after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortization costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortization, corresponding adjustments will be made in respect of the depreciation or amortization.

Employee retirement benefits

The Enlarged Group has recognised the employees' retirement benefit obligations as a liability. The Enlarged Group's obligations are determined using actuarial valuations, which rely on various assumptions and conditions. The assumptions used in actuarial valuation reports include discount rates, the growth rate of the benefits and other factors. The deviation from the actual result and the actuary result will affect the accuracy of related accounting estimates. Even though management is of the view that the above assumptions are reasonable, any changes in condition of assumptions will still affect the estimated liability amount of employees' retirement benefit obligations.

Provision for bad debts

The Enlarged Group recognises its provision for bad debts based on the recoverability of its receivables. Provision for bad debts will be recognised when there is indication that receivables cannot be recovered. The recognition of provision for bad debts requires judgment and estimation. If there is any difference between the results of reassessment and the existing estimation, such difference will affect the carrying amount of the receivables for the period in which the estimation has changed.

Provision for inventory impairment

The Enlarged Group recognizes provision for inventory impairment for obsolescence inventories. These estimate is made according to the ages of inventories, net realizable value of the inventories, and the experiences and judgment of the management. Provision for inventory impairment is required to be recognised when there is sign showing that the net realizable value is lower than cost. Due to changes in market conditions, actual sale ability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

Deferred tax assets

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

Impairment for non-current assets other than financial assets (except for goodwill)

The Enlarged Group determines as at the balance sheet date whether there is indication of impairment for non-current assets other than financial assets. When there is indication that the carrying amount of such assets cannot be recovered, the assets are tested for impairment. When the carrying amount of an asset or a group of assets is higher than its recoverable amount (i.e. the higher of the net amount of fair value less costs of disposal and the present value of the estimated future cash flow), impairment exists. When estimating the present value of the future cash flow, the management must estimate the future cash flow of such asset or such group of assets and choose an appropriate discount rate to determine the present value of the future cash flow.

Impairment of goodwill

When testing whether the goodwill is impaired, the evaluation of the present value of the future cash flows on the Enlarged Groups of assets or group of assets with allocated goodwill is required. Upon the evaluation of the present value, the Enlarged Group should evaluate the future cash flows of the Enlarged Group of assets or groups of assets using the appropriate discounted rate.

For the period from 1 January 2014 to 31 October and for the year ended 31 December 2013, the impairment losses of Goodwill for the Enlarged Group is 0 and RMB46,518,000 respectively. As at 31 October 2014 and 31 December 2013, the book value of Goodwill for the Enlarged Group is RMB668,658,000 and RMB74,943,000 respectively.

Provision for warranty

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

Construction contracts

As explained in policy notes IV, 20, revenue and profit recognition on an uncompleted project is depended on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Enlarged Group's recent experience and the nature of the construction activity undertaken by the Enlarged Group, the Enlarged Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

V. TAXES

1. Major categories of taxes and tax rates

Value-added tax (VAT)	Calculated as deduction of deductible input tax of current period from Output tax which is calculated at the rate of 6%-17% of taxable income.
Business tax	Calculated at the rate of 3%-5% of taxable income.
City maintenance and construction tax	Calculated at the rate of 5%-7% of turnover taxes actually paid.
Education surcharge	Calculated at the rate of 3%-5% of turnover taxes actually paid.
Income tax	Calculated at the rate of 25% of taxable income.

2. Tax incentive and approval

VAT

(1) According to the Notice of the Ministry of Finance and State Administration of Taxation (SAT) on VAT exemption of refurbishment of freight wagons (Cai Shui [2001], No.54) and Notice of SAT on VAT exemption of business of refurbishment of freight wagons of subsidiaries of China South Locomotive and Rolling Stock Industry (Group) Corporation (Guo Shui Han [2001], No.1006), business of refurbishment of freight wagons of subsidiaries of the Enlarged Group is exempted from VAT.

(2) According to the Notice of the Ministry of Finance and State Administration of Taxation (SAT) on policy of VAT of software products (Cai Shui [2011], No.100), the self-developed and manufactured software products selling by CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. ("CSR ZELRI") and its subsidiaries for the ten months ended 31 October 2014 and 2013 enjoyed a VAT refund over the part surpassing 3% of the taxes actually paid.

(3) According to the Notice of Ministry of Finance and State Administration of Tax (SAT) (Cai Shui [2008] No. 1), Beijing TH Software, Information and Technology Co. Ltd (TH InfoTech), a subsidiary of the Enlarged Group, enjoyed the VAT refund policy.

Income tax

According to article 28 of the Income Tax Law of the People's Republic of China, a high and new technology enterprise that requires key state support is subjected to the income tax rate of 15%.

Name of subsidiaries	Period from 1 January to 31 October 2014 income tax rate	2013 income tax rate	Reason
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	15%	15%	High and new technology enterprise
CSR Erqi Co., Ltd.	15%	15%	High and new technology enterprise
CSR Beijing Longxuan Rubber and Plastic Co., Ltd.	15%	15%	High and new technology enterprise
CSR Zhuzhou Times Electric Co., Ltd. (Time Electric)	15%	15%	High and new technology enterprise
CSR Zhuzhou TimesElectronics Technology Co., Ltd	15%	15%	High and new technology enterprise
CSR Zhuzhou Electric Locomotive Co., Ltd	15%	15%	High and new technology enterprise

Name of subsidiaries	Period from 1 January to 31 October 2014 income tax rate	2013 income tax rate	Reason
CSR Zhuzhou Electric Motor Co., Ltd	15%	15%	High and new technology enterprise
CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.	15%	15%	High and new technology enterprise
CSR Zhuzhou Times New Material Technology Co., Ltd (Time New Material)	15%	15%	High and new technology enterprise
CSR Zhuzhou Times Engineering Plastics Products Co., Ltd	15%	15%	High and new technology enterprise
CSR Times Electric Automobile Co., Ltd	15%	15%	High and new technology enterprise
CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	15%	15%	High and new technology enterprise
CSR Qishuyan Locomotive Co., Ltd	15%	15%	High and new technology enterprise
CSR Nanjing Puzhen Urban Rail Vehicle Co., Ltd	15%	15%	High and new technology enterprise
CSR Shijiazhuang Rolling Stock Co., Ltd	15%	15%	High and new technology enterprise
CSR Zhuzhou Times Electric Insulation Co., Ltd	15%	15%	High and new technology enterprise
CSR Zhuzhou Times Rubber and Plastic Component Development Co., Ltd	15%	15%	High and new technology enterprise
CSR Changzhou Ruitai Engineering Machinery Co., Ltd	15%	15%	High and new technology enterprise
CSR Changzhou Tech-Mark Industrial Co., Ltd	15%	15%	High and new technology enterprise
CSR Nanjing Puzhen Haitai Brake Equipments Co., Ltd	15%	15%	High and new technology enterprise
CSR Nanjing Puzhen Rolling Stock Co., Ltd	15%	15%	High and new technology enterprise

Name of subsidiaries	Period from 1 January to 31 October 2014 income tax rate	2013 income tax rate	Reason
CSR Yangtze Rolling Stock Co., Ltd	15%	15%	High and new technology enterprise
CSR Xiangyang China Railway Hongji Engineering Co., Ltd	15%	15%	High and new technology enterprise
CSR Shijiazhuang King Transportation Equipment Co., Ltd	15%	15%	High and new technology enterprise
CSR Luoyang Locomotive Co., Ltd	15%	15%	High and new technology enterprise
CSR Zhuzhou Times Equipment Technology Co., Ltd	15%	15%	High and new technology enterprise
CSR Tianjin Wind Electricity Vane Engineering Co., Ltd	15%	15%	High and new technology enterprise
CSR Sifang Rolling Stock Co., Ltd	15%	15%	High and new technology enterprise
CSR Xianyang Times Special Seal Technology Co., Ltd	15%	15%	High and new technology enterprise
CSR Ziyang Transmission Co., Ltd	15%	15%	High and new technology enterprise
CSR Jiangsu Leadrun Maoda Casting Co., Ltd	15%	15%	High and new technology enterprise
CSR Changzhou Diesel Engine Parts Co., Ltd	15%	15%	High and new technology enterprise
CSR Zhuzhou Qihong Heat Dissipation Technology Co., Ltd	15%	15%	High and new technology enterprise
CSR Beijing Time Locomotive and Rolling Stock Exchange Mechanics Co., Ltd	15%	15%	High and newenterprise technology
CSR Xiangyang Electric Co., Ltd	15%	15%	High and new technology enterprise
CSR Changzhou Automotive Components Co., Ltd	15%	15%	High and new technology enterprise

Name of subsidiaries	Period from 1 January to 31 October 2014 income tax rate	2013 income tax rate	Reason
CNR Changchun Railway Vehicle Co., Ltd	15%	15%	High and new technology enterprise
CNR Tangshan Railway Vehicle Co., Ltd	15%	15%	High and new technology enterprise
CNR Datong Electric Locomotive Co., Ltd	15%	15%	High and new technology enterprise
CNR Yongji Xinshisu Electric Equipment Co., Ltd	15%	15%	High and new technology enterprise
CNR Dalian Locomotive Research Institute Co., Ltd	15%	15%	High and new technology enterprise
CNR Qingdao Sifang Rolling Stock Research Institute Co., Ltd	15%	15%	High and new technology enterprise
CNR Jinan Railway Vehicle Equipment Co., Ltd	15%	15%	High and new technology enterprise
CNR Dalian Locomotive & Rolling Stock Co., Ltd	15%	15%	High and new technology enterprise
CNR Taiyuan Railway Transportation Vehicle Equipment Co., Ltd	15%	15%	High and new technology enterprise
CNR Feb. 7th Railway Transportation Equipment Co., Ltd	15%	15%	High and new technology enterprise
CNR Shenyang Locomotive & Rolling Stock Co., Ltd	15%	15%	High and new technology enterprise
CNR Tianjin JL Railway Transportation Equipment Co., Ltd	15%	15%	High and new technology enterprise
CNR Beijing Tsinghua Software Information Technology Co., Ltd ("Tsinghua Software")	25%	15%	High and new technology enterprise

Note: From 2014, the income tax rate of Tsinghua Software is 25%.

According to Notice on the further implementation of the relevant tax policies of the western development strategy (Cai Shui[2011], No.58) published by the Ministry of Finance, General Administration of Customs and SAT, from 1 January 2011 to December 31, 2020, an enterprise in western area engaged in industries encouraged is subjected to the income tax rate of 15%.

Name of subsidiaries	Period from 1 January to 31 October 2014 income tax rate	2013 income tax rate	Reason
CSR Chengdu Locomotive & Rolling Stock Co., Ltd	15%	15%	Western region enterprise
CSR Ziyang Locomotive Co., Ltd	15%	15%	Western region enterprise
Yuchai CSR Sichuan Engine Co., Ltd.	15%	15%	Western region enterprise
CSR Ziyang Electric Locomotive Co., Ltd	15%	15%	Western region enterprise
CSR Ziyang Electric Co. Ltd	15%	15%	Western region enterprise
CSR Meishan Co., Ltd	15%	15%	Western region enterprise
CSR Meishan Fastener Science & Technology Co., Ltd	15%	15%	Western region enterprise
CSR Sichuan Brake Technology Co., Ltd	15%	15%	Western region enterprise
CNR Xi'an Railway Vehicle Equipment Co., Ltd (the "Xi'an Equipment Company")	15%	15%	Western region enterprise
CNR Lanzhou Locomotive Co., Ltd	15%	15%	Western region enterprise

CNR (Hong Kong) has adopted the Hong Kong Special Administrative Region Tax for corporate profit, and the statutory tax rate was 16.5% for the period from 1 January to 31 October 2014 and for the year ended 2013.

CNR (Czech) has adopted Taxation Law of Republic of Czech for income tax rate, and the statutory tax rate was 19% for the period ended 31 October 2014 and for the year ended 31 December 2013.

CNR (USA) has adopted Massachusetts federal income tax rate, using progressive tax method, the tax rate was 15%-39%.

CNR (South Africa) has adopted Taxation Law of South Africa for income tax rate, and the statutory tax rate was 28% from the foundation to date.

VI. THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

1. Information of subsidiaries (Including indirect holding through subsidiaries)

Information of CSR major subsidiaries are as follows:

						31 October 2014			31 December 2013		
	Place of registeration	Principal activities	Registered capital	Paid-up capital	Consolidated or not consolidated	Proportion of ownership interests	Proportion of voting rights	Non-controlling interests	Proportion of ownership interests	Proportion of voting rights	Non-controlling interests
			('000)	*('000)*		*(%)*	*(%)*	*('000)*	*(%)*	*(%)*	*('000)*
CSR Zhuzhou Electric Locomotive Co., Ltd	Zhuzhou	Manufacturing	4,184,196	4,184,196	YES	100.00	100.00	—	100.00	100.00	—
CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd	Qingdao	Manufacturing	4,003,794	4,003,794	YES	97.81	97.81	176,144	97.81	97.81	126,798
CSR Zhuzhou Institute Co., Ltd	Zhuzhou	Manufacturing	4,184,500	4,184,500	YES	100.00	100.00	—	100.00	100.00	—
CSR Yangtze Rolling Stock Co., Ltd	Wuhan	Manufacturing	2,372,869	2,372,869	YES	100.00	100.00	—	100.00	100.00	—
CSR Qishuyan Institute Locomotive & Rolling Stock Technology Research Institute Co., Ltd	Changzhou	Manufacturing	1,560,000	1,560,000	YES	100.00	100.00	—	100.00	100.00	—
CSR Nanjing Puzhen Rolling Stock Co., Ltd	Nanjing	Manufacturing	1,759,840	1,759,840	YES	100.00	100.00	—	100.00	100.00	—
CSR Qishuyan Locomotive Co., Ltd	Changzhou	Manufacturing	1,092,743	1,092,743	YES	100.00	100.00	—	100.00	100.00	—
CSR Ziyang Locomotive Co., Ltd	Ziyang	Manufacturing	834,226	834,226	YES	99.61	99.61	3,207	99.61	99.61	1,677
CSR Zhuzhou Electric Motor Co., Ltd	Zhuzhou	Manufacturing	948,180	948,180	YES	100.00	100.00	—	100.00	100.00	—
CSR Erqi Co., Ltd	Beijing	Manufacturing	381,873	381,873	YES	100.00	100.00	—	100.00	100.00	—
CSR Luoyang Locomotive Co., Ltd	Luoyang	Manufacturing	508,956	508,956	YES	100.00	100.00	—	100.00	100.00	—
CSR Chengdu Locomotive & Rolling Stock Co., Ltd	Chengdu	Manufacturing	422,772	422,772	YES	100.00	100.00	—	100.00	100.00	—
CSR Investment & Leasing Co., Ltd	Beijing	Leasing & Trading	2,300,000	2,300,00	YES	100.00	100.00	—	100.00 100.00	—	
CSR Meishan Co., Ltd	Meishan	Manufacturing	337,849	337,849	YES	100.0	100.00	—	100.00	100.00	—
CSR Sifang Co., Ltd	Qingdao	Manufacturing	293,096	293,096	YES	100.0	100.00	—	100.00	100.00	—
CSR Shijiazhuang Rolling Stock Co., Ltd	Shijiazhuang	Manufacturing	204,622	204,622	YES	100.00	100.00	—	100.00	100.00	—
CSR Hong Kong Co., Ltd	Hong Kong	Trading	HKD400,000	HKD400,000	YES	100.00	100.00	—	100.00	100.00	—
CSR Finance Co., Ltd	Beijing	Finance	1,000,000	1,000,000	YES	91.0	91.00	101,158	91.00	91.00	94,995
CSR Australia Co., Ltd	Australia	Trading	AUD1,000	6,710	YES	100.0	100.00	—	100.00	100.00	—
CSR International Equipment Engineering Co., Ltd	Beijing	Trading	600,000	600,000	YES	100.00	100.00	—	100.00	100.00	—
Time Electric	Zhuzhou	Manufacturing	1,175,477	1,175,477	YES	51.94	51.94	5,021,171	51.81	51.81	4,280,083
Time New Material	Zhuzhou	Manufacturing	661,422	661,422	YES	27.38	41.28	2,193,722	27.38	41.28	2,224,959

2. Information of CNR major subsidiaries

						31 October 2014			31 December 2013		
	Place of registeration	Principal activities	Registered capital *('000)*	Paid-up capital *('000)*	Consolidated or not consolidated	Proportion of ownership interests	Proportion of voting rights	Non-controlling interests *('000)*	Proportion of ownership interests	Proportion of voting rights	Non-controlling interests *('000)*
Beijing CNR Railway Transportation Equipment Co., Ltd	Beijing	Manufacturing	20,000	10,307	YES	51.00%	51.00%	(91,745)	51.00%	51.00%	(64,434)
CNR Hong Kong Co., Ltd	Hong Kong	Manufacturing	30,715	30,768	YES	100%	100%	—	100%	100%	—
CNR Qiqihar Rolling Stock Co., Ltd	Heilongjiang	Manufacturing	3,000,000	4,201,521	YES	100%	100%	—	100%	100%	—
CNR Construction and Engineering Co., Ltd	Beijing	Railway Transportation Engineering	300,000	300,148	YES	100%	100%	—	100%	100%	—
CNR Investment & Leasing Co., Ltd	Beijing	Finance	1,200,000	1,109,433	YES	91.66%	91.66%	116,340	83.33%	83.33%	218,927
CNR Dalian Electric Traction R & D Center Co., Ltd	Dalian	Manufacturing	388,000	378,545	YES	100%	100%	—	100%	100%	—
CNR Southern Co., Ltd	Shenzhen	Manufacturing	500,000	500,000	YES	100%	100%	—	N/A		
CNR (USA) Co, Ltd	Massachusetts, USA	Manufacturing	USD 500	3,089	YES	100%	100%	—	N/A		
CNR Dalian Locomotive & Rolling Stock Co., Ltd	Dalian	Manufacturing	2,443,000	3,666,340	YES	100%	100%	—	100%	100%	—
CNR Tangshan Railway Vehicle Co., Ltd	Tangshan	Manufacturing	2,257,000	3,678,746	YES	100%	100%	—	100%	100%	—
CNR Tianjin JL Railway Transportation Equipment Co., Ltd	Tianjin	Manufacturing	166,000	285,717	YES	100%	100%	—	100%	100%	—
CNR Beijing Nankou Railway Transportation Machinery Co., Ltd	Beijing	Manufacturing	305,000	682,396	YES	100%	100%	—	100%	100%	—
CNR Taiyuan Railway Transportation Equipment Co., Ltd	Taiyuan	Manufacturing	327,000	580,650	YES	100%	100%	—	100%	100%	—
CNR Yongji Xinshisu Electric Equipment Co., Ltd	Yongji	Manufacturing	630,000	1,214,306	YES	100%	100%	—	100%	100%	—
CNR Jinan Railway Vehicle Equipment Co., Ltd	Jinan	Manufacturing	1,088,700	1,431,293	YES	100%	100%	—	100%	100%	—
Xi'an Equipment Company	Xi'an	Manufacturing	610,000	845,183	YES	100%	100%	—	100%	100%	—
CNR Lanzhou Locomotive Co., Ltd	Lanzhou	Manufacturing	229,261	293,334	YES	100%	100%	—	100%	100%	—
CNR Dalian Locomotive Research Institute Co., Ltd	Dalian	Manufacturing	186,000	280,105	YES	100%	100%	—	100%	100%	—
CNR Qingdao Sifang Rolling Stock Research Institute Co., Ltd	Qingdao	Manufacturing	606,000	953,621	YES	100%	100%	—	100%	100%	—
CNR Import & Export Co., Ltd	Beijing	Import & Export	100,000	48,368	YES	100%	100%	—	100%	100%	—
CNR Beijing Feb 7th Railway Transportation Equipment Co., Ltd	Beijing	Manufacturing	396,000	785,465	YES	100%	100%	—	100%	100%	—
CNR Datong Electric Locomotive Co., Ltd	Datong	Manufacturing	656,000	1,060,591	YES	100%	100%	—	100%	100%	—
CNR Beijing Logistics Development Co., Ltd	Beijing	Service	300,000	310,149	YES	100%	100%	—	100%	100%	—
CNR Changchun Railway Vehicle Co., Ltd	Changchun	Manufacturing	5,807,947	5,604,218	YES	93.54%	93.54%	674,319	93.54%	93.54%	574,399
CNR Investment & Leasing Co., Ltd	Beijing	Leasing	1,000,000	1,001,526	YES	100%	100%	—	100%	100%	—
CNR Shenyang Locomotive & Rolling Stock Co., Ltd	Shenyang	Manufacturing	951,532	937,912	YES	100%	100%	—	100%	100%	—
Shanghai Railway Equipment Development Co., Ltd	Shanghai	Manufacturing	676,041	470,430	YES	51.00%	51.00%	484,974	51.00%	51.00%	471,323
Beijing Tsinghua Software Information Technology Co., Ltd	Beijing	Software	17,000	29,770	YES	51.00%	51.00%	18,396	51.00%	51.00%	19,537

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Bills receivable

	31 October 2014	31 December 2013
	RMB'000	*RMB'000*
Commercial acceptance bills	2,866,488	2,874,951
Bank acceptance bills	3,597,355	4,759,622
	6,463,843	7,634,573

As at 31 October 2014 and 31 December 2013, the balance in this account holding 5% or more of the voting shares of CRS or CNS and related parties, whose details are given in Note VIII, related party relationships and transactions.

2. Trade receivables

The aging analysis of trade receivables is as follows:

	31 October 2014	31 December 2013
	RMB'000	*RMB'000*
Within 1 year	72,087,241	58,156,789
More than 1 year but not exceeding 2 years	5,097,226	5,280,551
More than 2 years but not exceeding 3 years	2,551,251	1,245,853
More than 3 years	1,205,128	849,816
Total	80,940,846	65,533,009
Less: impairment losses on trade receivables	(3,101,846)	(1,861,332)
	77,839,000	63,671,677

	31 October 2014			
	Book value		Bad debt provision	
	Amount	Proportion	Amount	Proportion
	RMB'000	*(%)*	*RMB'000*	*(%)*
Trade receivable that are individually significant and for which provision for bad debts has been assessed individually	650,561	0.8	337,368	51.9
Trade receivables for which provision for bad debts has been assessed by portfolio				
Within 1 year	71,722,161	88.6	—	—
More than 1 year but not exceeding 2 years	4,967,427	6.1	676,312	13.6
More than 2 years but not exceeding 3 years	2,437,322	3.0	1,074,758	44.1
More than 3 years	1,163,375	1.5	1,013,408	87.1
	80,940,846	100.0	3,101,846	

	31 October 2013			
	Book value		Bad debt provision	
	Amount	Proportion	Amount	Proportion
	RMB'000	*(%)*	*RMB'000*	*(%)*
Trade receivable that are individually significant and for which provision for bad debts has been assessed individually	392,464	0.6	169,929	43.3
Trade receivables for which provision for bad debts has been assessed by portfolio				
Within 1 year	58,125,474	88.7	—	—
More than 1 year but not exceeding 2 years	5,074,266	7.7	652,082	12.9
More than 2 years but not exceeding 3 years	1,179,824	1.8	410,697	34.8
More than 3 years	760,981	1.2	628,624	82.6
	65,533,009	100.0	1,861,332	

Details of foreign currency accounts receivable as below:

	31 October 2014		
	Foreign currency	Exchange rate	Equivalent to RMB'000
US Dollar	186,002	6.1461	1,143,188
Hong Kong Dollar	356,484	0.7925	282,514
Euro	152,390	7.7377	1,179,150
Japanese Yen	51,813	0.0562	2,912
Great British Pound	711	9.8202	6,982
Australian Dollar	5,220	5.416	28,272
Singapore Dollar	720	4.8057	3,460
Swiss Franc	1,707	6.3881	10,904
Brazilian Real	7,968	2.5089	19,991
			2,677,373

	31 December 2013		
	Foreign currency	Exchange rate	Equivalent to RMB'000
US Dollar	379,796	6.0969	2,315,580
Hong Kong Dollar	9,933	0.7862	7,809
Euro	61,711	8.4190	519,542
Japanese Yen	101,425	0.0581	5,893
Great British Pound	4,473	10.0548	44,975
Canadian dollar	728	5.4313	3,954
Australian Dollar	1,728	5.7245	9,892
Singapore Dollar	18,426	4.8161	88,742
Turkish Lira	4,806	2.8554	13,723
Malaysian Ringgit	8,452	1.8542	15,672
			3,025,782

As at 31 October 2014 and 31 December 2013, the balance in this account holding 5% or more of the voting shares of CSR or CNR and related parties, details of which are given in Note VIII, related party relationships and transactions.

3. Advances to suppliers

The aging analysis of advances to suppliers is as follows:

	31 October 2014		31 December 2013	
	Amount	Proportion	Amount	Proportion
	RMB'000		*RMB'000*	
Within 1 year	10,327,299	91.9	9,180,662	94.2
More than 1 year but not exceeding 2 years	767,674	6.9	411,721	4.2
More than 2 years but not exceeding 3 years	48,595	0.4	49,686	0.5
More than 3 years	102,966	0.8	106,576	1.1
Impairment losses on advances to suppliers	(185,979)		(58,631)	
	11,060,555	100.0	9,690,014	100.0

As at 31 October 2014 and 31 December 2013, the balance in this account holding 5% or more of the voting shares of CSR or CNR and related parties, whose details are given in Note VIII, related party relationships and transactions.

4. Other receivables

The aging analysis of other receivables is as follows:

	31 October 2014	31 December 2013
	RMB'000	*RMB'000*
Within 1 year	3,411,659	2,577,910
More than 1 year but not exceeding 2 years	451,277	440,914
More than 2 years but not exceeding 3 years	108,623	90,886
More than 3 years	326,593	358,705
Total	4,298,152	3,468,415
Less: Bad debts provision of other receivable	(416,141)	(416,466)
	3,882,011	3,051,949

	31 October 2014			
	Book value		Bad debt provision	
	Amount	Proportion	Amount	Proportion
	RMB'000	*(%)*	*RMB'000*	*(%)*
Individually significant receivables	751,346	17.5	278,310	37.0
Within 1 year	3,009,909	70.0	—	—
More than 1year but not exceeding 2 years	391,484	9.1	45,445	11.6
More than 2 years but not exceeding 3 years	66,322	1.5	25,957	39.1
More than 3 years	79,091	1.9	66,429	84.0
	4,298,152	100.0	416,141	

	31 December 2013			
	Book value		Bad debt provision	
	Amount	Proportion	Amount	Proportion
	RMB'000	*(%)*	*RMB'000*	*(%)*
Individually significant receivables	836,686	24.1	284,273	34.0
Within 1 year	2,100,299	60.6	77	—
More than 1year but not exceeding 2 years	412,088	11.8	46,829	11.4
More than 2 years but not exceeding 3 years	33,374	1.0	15,374	46.1
More than 3 years	85,968	2.5	69,913	81.3
	3,468,415	100.0	416,466	

5. Inventories

	31 October 2014		
	Book balance	Provision for decline in value	Book value
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	21,974,098	(475,167)	21,498,931
Work-in-progress	33,913,202	(552,198)	33,361,004
Finished goods	8,905,664	(361,327)	8,544,337
Consigned processing materials	190,591	(1,035)	189,556
Turnover materials	1,339,281	(5,056)	1,334,225
	66,323,836	(1,394,783)	64,928,053

	31 October 2014		
	Book balance	Provision for decline in value	Book value
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	13,532,512	(370,948)	13,161,564
Work-in-progress	16,823,591	(394,601)	16,428,990
Finished goods	6,743,242	(296,153)	6,447,089
Consigned processing materials	104,732	(7,081)	97,651
Turnover materials	230,044	(4,542)	225,502
	37,434,121	(1,073,325)	36,360,796

Movement of provision for decline in value of inventories:

	1 January 2014 to 31 October 2014						
		Increase during the current period		Decrease during the current period			
	At 1 January 2014	Additions	Translation reserve	Reversals	Carry over	Written off	At 31 October 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Note 1)	*RMB'000* (Note 2)	*RMB'000* (Note 3)	*RMB'000*
Raw materials	370,948	117,133	2,047	(474)	(14,487)	—	475,167
Work-in-progress	394,602	340,357	1,258	(4,019)	(179,999)	—	552,199
Finished goods	296,152	114,681	495	(641)	(49,361)	—	361,326
Consigned processing materials	7,081	489	—	(6,550)	15	—	1,035
Turnover materials	4,542	995	—	(330)	(151)	—	5,056
	1,073,325	573,655	3,800	(12,014)	(243,983)	—	1,394,783

	1 January 2013 to 31 December 2013						
		Increase during the current period		Decrease during the current period			
	At 1 January 2013	Additions	Translation reserve	Reversals	Carry over	Written off	At 31 October 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Note 1)	*RMB'000* (Note 2)	*RMB'000* (Note 3)	*RMB'000*
Raw materials	395,251	139,362	(35)	(106,822)	(27,071)	(29,737)	370,948
Work-in-progress	406,556	137,745	(35)	(8,021)	(137,588)	(4,055)	394,602
Finished goods	200,113	177,414	(19)	(55,961)	(25,363)	(32)	296,152
Consigned processing materials	1,196	6,104	—	—	(219)	—	7,081
Turnover materials	3,883	3,544	—	(499)	(2,385)	(1)	4,542
	1,006,999	464,169	(89)	(171,303)	(192,626)	(33,825)	1,073,325

Note 1: The additions of provision for decline in value, mainly refer to when the appropriated provision of inventory value recover, and the recovered value recorded in the correspondence of inventory impairment.

Note 2: The carryover of provision for decline in value, mainly refer to when the appropriated provision of inventory been sold or consumed, recorded the value of sold or consumed part of the corresponding provision of inventory to cost of sales or production costs.

Note 3: The written off of provision for decline in value, mainly refer to when inventory impairment loss has been recognized as they occur, recorded the corresponding inventory impairment write-off of inventory at cost corresponding.

As at 31 October 2014 and 31 December 2013, the Enlarged Group had no significant inventory for guarantees.

6. Held-for-trading financial assets

	31 October 2014	31 December 2013
	RMB'000	*RMB'000*
Bank financial products	555,300	—
Unlisted equity investment instruments	145,981	82,181
Listed equity investment instruments	933,246	705,068
Total	1,634,527	787,249
Including:		
Held-for-trading financial assets due within one year	555,300	—
Held-for-trading financial assets due more than one year	1,079,227	787,249

As at 31 October 2014 and 31 December 2013, the book value of unlisted equity investment instruments that the Enlarged Group held is RMB145,981,000 and RMB82,181,000 respectively, and the instruments are not quoted in the active market, and the fair value measurement is not reliable and reasonable., therefore, the value of financial instrument is measured through cost.

Held-for-trading financial assets:

31 October 2014

Reclassification of Held-for-trading financial assets	**Bank financial products** *RMB'000*	**Unlisted equity investment instruments** *RMB'000*	**Listed equity investment instruments** *RMB'000*	**Total** *RMB'000*
Equity cost/amortized cost of the bank financial products	555,300	170,928	630,656	1,356,884
Fair value at the end of period	555,300	Not	933,246	1,488,546
Accumulated amount of changes in fair value that included in other comprehensive income	—	—	302,590	302,590
Provision for impairment	—	24,947	—	24,947

Reclassification of Held-for-trading financial assets	**Bank financial products** *RMB'000*	**Unlisted equity investment instruments** *RMB'000*	**Listed equity investment instruments** *RMB'000*	**Total** *RMB'000*
Opening balance of provision	—	24,947	—	24,947
Additions	—	—	—	—
Including: Reversals of OCI				
Reduction	—	—	—	—
Including: Increase in fair value	—	—	—	—
Translation reserve	—	—	—	—
Closing balance of provision	—	24,947	—	24,947

31 December 2013

Reclassification of Held-for-trading financial assets	**Bank financial products** *RMB'000*	**Unlisted equity investment instruments** *RMB'000*	**Listed equity investment instruments** *RMB'000*	**Total** *RMB'000*
Equity cost/amortized cost of the bank financial products	—	107,128	501,115	608,243
Fair value at the end of period	—	Not	705,068	705,068
Accumulated amount of changes in fair value that included in other comprehensive income	—	—	203,953	203,953
Provision for impairment	—	24,947	—	24,947

Reclassification of Held-for-trading financial assets	**Bank financial products** *RMB'000*	**Unlisted equity investment instruments** *RMB'000*	**Listed equity investment instruments** *RMB'000*	**Total** *RMB'000*
Opening balance of provision	—	220	—	220
Additions	—	24,727		24,727
Including: Reservals of OCI	—	—	—	—
Reduction	—	—	—	—
Including: Increase in fair value Translation reserve	—	—	—	—
Closing balance of provision	—	24,947	—	24,947

7. Long-term equity investments

(1) Details of long-term equity investments are as follows:

	31 October 2014	31 December 2013
	RMB'000	*RMB'000*
Using the equity method	5,313,420	4,937,845
— Joint venture	3,268,341	3,055,401
— Associate	2,045,079	1,882,444
Less: Provision for long-term equity investments	—	—
	5,313,420	4,937,845

(2) Joint venture investment details of the Enlarged Group as following:

31 October 2014

Name of investee	Accounting method	Initial investment cost	1 January 2014	Movement	31 October 2014	Percentage shareholding in the investee	Percentage of voting right in the investee	Difference between Impairment Provision	At 31 October 2014	Cash bonuses
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*%*	*%*	*RMB'000*	*RMB'000*	*RMB'000*
Bombardier Sifang (Qingdao) Transportation Ltd.	Equity	134,348	1,490,387	8,703	1,499,090	50	50	—	1,499,090	200,000
Zhuzhou Shiling Traffic Equipment Co., Ltd.	Equity	44,338	170,523	20,706	191,229	50	50	—	191,229	—
Siemens Traction Equipment Ltd. Zhuzhou	Equity	29,851	75,747	2,330	78,077	50	50	—	78,077	—
Zhuzhou High-tech Investment & Guaranty, Co., Ltd.	Equity	50,000	70,865	4,239	75,104	50	50	—	75,104	—
CSR MNG Rail System Vehicles Industry and Trade Co., Ltd.	Equity	198,112	198,112	(18,172)	179,940	60	50	—	179,940	—
Changchun Bombardier Railway Vehicles Co., Ltd	Equity	83,492	159,376	6,174	165,550	50	50	—	165,550	—
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd	Equity	69,000	71,978	(4,008)	67,970	50	50	—	67,970	—
Dalian Toshiba Locomotive Electric Equipment Co., Ltd	Equity	30,358	243,244	75,218	318,462	50	50	—	318,462	41,301
Hitachi Yonge Electric Equipment Co., Ltd	Equity	124,440	352,564	62,189	414,753	50	50	—	414,753	15,500
Qingdao FAIVELEY SRI Rail Brake Co., Ltd	Equity	15,000	95,517	(8,275)	87,242	50	50	—	87,242	20,000
Changchun Diandi Int'l Industrial Co., Ltd	Equity	3,783	16,479	1,235	17,714	50	50	—	17,714	—
Beijing Danobat CNR Erqi Machine Tools Manufacturing Co., Ltd	Equity	5,010	5,019	(806)	4,213	50.1	50	—	4,213	—
Shentong CNR (Shanghai) Railway Vehicles Manufacturing Co., Ltd.	Equity	20,000	—	15,157	15,157	50	50	—	15,157	—
CNR Shenzhen Railway Vehicle Co., Ltd	Equity	10,000	—	10,000	10,000	50	50	—	10,000	—
Others	Equity	88,569	105,590	38,250	143,840	—	—	—	143,840	—
Total			3,055,401	212,940	3,268,341			—	3,268,341	276,801

31 December 2013

Name of investee	Accounting method	Initial investment cost	1 January 2014	Movement	31 October 2014	Percentage shareholding in the investee	Percentage of voting right in the investee	Difference between Impairment Provision	At 31 October 2014	Cash bonuses
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*%*	*%*	*RMB'000*	*RMB'000*	*RMB'000*
Bombardier Sifang (Qingdao) Transportation Ltd	Equity	134,348	1,354,672	135,715	1,490,387	50	50	—	1,490,387	200,000
Zhuzhou Shiling Traffic Equipment Co., Ltd.	Equity	44,338	163,340	7,183	170,523	50	50	—	170,523	9,000
Siemens Traction Equipment Ltd. Zhuzhou	Equity	29,851	118,738	(42,991)	75,747	50	50	—	75,747	42,749
Zhuzhou High-tech Investment & Guaranty, Co., Ltd	Equity	50,000	64,061	6,804	70,865	50	50	—	70,865	—
CSR MNG Rail System Vehicles Industry and Trade Co., Ltd.	Equity	198,112	—	198,112	198,112	60	50	—	198,112	—
Changchun Bombardier Railway Vehicles Co., Ltd	Equity	83,492	155,036	4,340	159,376	50	50	—	159,376	—
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd	Equity	69,000	74,935	(2,957)	71,978	50	50	—	71,978	—
Dalian Toshiba Locomotive Electric Equipment Co., Ltd	Equity	30,358	199,904	43,340	243,244	50	50	—	243,244	27,167
Hitachi Yonge Electric Equipment Co., Ltd	Equity	124,440	255,855	96,709	352,564	50	50	—	352,564	6,180
Qingdao FAIVELEY SRI Rail Brake Co., Ltd	Equity	15,000	81,629	13,888	95,517	50	50	—	95,517	—
Changchun Diandi Int'l Industrial Co., Ltd	Equity	3,783	15,289	1,190	16,479	50	50	—	16,479	—
CNR CarGo	Equity	—	405	(405)	—	50	50	—	—	—
Beijing Danobat CNR Erqi Machine Tools Manufacturing Co., Ltd	Equity	5,010	—	5,019	5,019	50.1	50	—	5,019	—
Others	Equity	88,569	52,668	52,922	105,590	—	—	—	105,590	942
Total			2,536,532	518,869	3,055,401			—	3,055,401	286,038

(3) Associate investment details of the Enlarged Group as following:

31 October 2014

Name of investee	Accounting method	Initial investment cost	1 January 2014	Movement	31 October 2014	shareholding in the investee	Percentage of voting right in the investee	Difference between Impairment Provision	At 31 October 2014	Cash bonuses
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*%*	*%*	*RMB'000*	*RMB'000*	*RMB'000*
Guangzhou Electric Locomotive Co., Ltd.	Equity	200,000	397,093	(1,230)	395,863	40	40	—	395,863	—
Guiyang Times Wharton Technology Co., Ltd.	Equity	9,680	102,359	27,312	129,671	37	37	—	129,671	—
Changzhou Huanghai Automobiles Co., Ltd.	Equity	126,580	101,186	(36,920)	64,266	34	34	—	64,266	—
Huaneng Tieling Wind Power Co., Ltd.	Equity	38,881	41,271	602	41,873	25	25	—	41,873	483
Huaneng Panjin Wind Power Co., Ltd.	Equity	80,944	78,484	254	78,738	47	47	—	78,738	—
Huaneng Tieling Daxing Wind Power Co., Ltd.	Equity	40,993	41,540	2,547	44,087	25	25	—	44,087	—
Datong ABB Traction Transformer Co., Ltd	Equity	24,002	98,764	35,511	134,275	50	<50	—	134,275	55,551
Xi'an Alstom Yongji Electric Equipment Co., Ltd	Equity	13,173	29,377	13,599	42,976	49	49	—	42,976	—
Alstom Qingdao Railway Equipment Co., Ltd	Equity	2,450	50,275	20,814	71,089	49	49	—	71,089	—
Beijing Nankou Railway Bearings Co., Ltd	Equity	121,744	169,640	(21,662)	147,978	49	49	—	147,978	19,583
Xinyang Amsted Tonghe Wheels Co., Ltd	Equity	105,010	150,221	(3,989)	146,232	25	25	—	146,232	12,500
Shanghai Alstom Transport Electric Equipment Co., Ltd	Equity	35,097	66,483	9,121	75,604	40	40	—	75,604	—
Tianjin Electric Locomotive Co., Ltd	Equity	420,000	392,360	(25,970)	366,390	43.75	43.75	—	366,390	—
Others	Equity	176,004	163,391	142,646	306,037	—	—	—	306,037	76
Total			1,882,444	162,635	2,045,079			—	2,045,079	88,193

31 December 2013

Name of investee	Accounting method	Initial investment cost	1 January 2014	Movement	31 October 2014	shareholding in the investee	Percentage of voting right in the investee	Difference between Impairment Provision	At 31 October 2014	Cash bonuses
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*%*	*%*	*RMB'000*	*RMB'000*	*RMB'000*
Guangzhou Electric Locomotive Co., Ltd	Equity	200,000	396,783	310	397,093	40	40	—	397,093	—
Guiyang Times Wharton Technology Co., Ltd	Equity	9,680	—	102,359	102,359	37	37	—	102,359	—
Changzhou Huanghai Automobiles Co., Ltd.	Equity	126,580	124,288	(23,102)	101,186	34	34	—	101,186	—
Huaneng Tieling Wind Power Co., Ltd.	Equity	38,881	39,678	1,593	41,271	25	25	—	41,271	—
Huaneng Panjin Wind Power Co., Ltd.	Equity	80,944	81,791	(3,307)	78,484	47	47	—	78,484	—
Huaneng Tieling Daxing Wind Power Co., Ltd.	Equity	40,993	40,993	547	41,540	25	25	—	41,540	—
Shijiazhuang Guoxiang Precision Machinery Co., Ltd	Equity	—	17,126	(1,000)	16,126	40	40	—	16,126	—
Datong ABB Traction Transformer Co., Ltd	Equity	24,002	96,657	2,107	98,764	50	<50	—	98,764	53,451
Xi'an Alstom Yongji Electric Equipment Co., Ltd	Equity	13,173	20,768	8,609	29,377	49	49	—	29,377	—
Alstom Qingdao Railway Equipment Co., Ltd	Equity	2,450	39,643	10,632	50,275	49	49	—	50,275	8,820
Beijing Nankou Railway Bearings Co., Ltd	Equity	121,744	150,635	19,005	169,640	49	49	—	169,640	—
Xinyang Amsted Tonghe Wheels Co., Ltd	Equity	105,010	168,310	(18,089)	150,221	25	25	—	150,221	30,000
Shanghai Alstom Transport Electric Equipment Co., Ltd	Equity	35,097	54,573	11,910	66,483	40	40	—	66,483	11,874
Tianjin Electric Locomotive Co., Ltd	Equity	420,000	404,972	(12,612)	392,360	43.75	43.75	—	392,360	—
Others	Equity	176,004	112,271	34,994	147,265	—	—	—	147,265	468
Total			1,748,488	133,956	1,882,444			—	1,882,444	104,613

(4) A list of joint ventures and associates and their key financial information

31 October 2014

Name of investee	Country of incorporation	Nature of business	Registered capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net Assets	Operating Income	Net operating profit (loss) and total comprehensive income	Proportion	Net assets proportion according to proportion of shareholding	Other Adjustment	Book Value
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*(%)*	*RMB'000*	*RMB'000*	*RMB'000*
Joint venture														
Bombardier Sifang (Qingdao) Transportation Ltd	Qingdao	Manufacturing	USD84,120	10,621,040	1,310,309	7,754,362	1,178,806	2,998,181	1,453,327	417,406	50	1,499,090	—	1,499,090
Zhuzhou Shiling Traffic Equipment Co., Ltd.	Zhuzhou	Manufacturing	USD14,000	674,782	52,317	200,047	78,173	448,878	1,170,369	107,833	50	224,439	(33,210) *(Note 1)*	191,229
Zhuzhou High-tech Investment & Guaranty, Co., Ltd	Zhuzhou	Manufacturing	100,000	25,100	186,119	61,012	—	150,207	4,981	8,477	50	75,104	—	75,104
Siemens Traction Equipment Ltd. Zhuzhou	Zhuzhou	Manufacturing	128,989	772,996	6,836	371,827	251,850	156,155	145,791	4,661	50	78,077	—	78,077
CSR MNG	Turkey Ankara	Manufacturing	Turkey Liras 65,040	299,899	—	—	—	299,899	—	—	60	179,940	—	179,940
Changchun Bombardier Railway Vehicles Co., Ltd	Changchun	Manufacturing	239,450	1,310,727	61,911	1,041,539	—	331,099	704,510	12,348	50	165,550	—	165,550
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd	Shenyang	Manufacturing	138,000	137,196	70,034	71,291	—	135,939	107,792	(8,017)	50	67,970	—	67,970
Dalian Toshiba Locomotive Electric Equipment Co., Ltd	Dalian	Manufacturing	USD7,417	2,772,690	75,933	1,997,348	214,352	636,923	2,228,142	235,226	50	318,462	—	318,462
Hitachi Yonge Electric Equipment Co., Ltd	Xi'an	Manufacturing	USD35,460	1,627,576	166,581	662,283	302,368	829,506	860,912	148,334	50	414,753	—	414,753
Qingdao FAIVELEY SRI Rail Brake Co., Ltd	Qingdao	Manufacturing	30,000	412,279	15,720	195,794	57,721	174,484	381,679	29,250	50	87,242	—	87,242
Changchun Diandi Int'l Industrial Co., Ltd	Changchun	Manufacturing	USD900	34,672	131	(625)	—	35,428	23,163	2,470	50	17,714	—	17,714
Beijing Danobat CNR Feb.7th Machine Tools Manufacturing Co., Ltd	Beijing	Manufacturing	10,000	8,550	—	141	—	8,409	—	(1,609)	50.1	4,213	—	4,213
Shentong CNR (Shanghai) Railway Vehicles Manufacturing Co., Ltd.	Shanghai	Manufacturing	40,000	66,553	1,504	37,743	—	30,314	1,428	(7,803)	50	15,157	—	15,157
CNR Shenzhen Railway Vehicle Co., Ltd	Shenzhen	Manufacturing	20,000	20,000	—	—	—	20,000	—	—	50	10,000	—	10,000

Name of investee	Country of incorporation	Nature of business	Registered capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net Assets	Operating Income	Net operating profit (loss) and total comprehensive income	Proportion	Net assets proportion according to proportion of shareholding	Other Adjustment	Book Value
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*(%)*	*RMB'000*	*RMB'000*	*RMB'000*
Associate														
Guangzhou Electric Locomotive Co., Ltd	Guangzhou	Manufacturing	1,000,000	844,094	607,806	457,352	4,030	990,518	311,982	(2,216)	40	396,207	(344) *(Note 2)*	395,863
Guiyang Times Wharton Technology Co., Ltd	Guiyang	Manufacturing	26,310	339,033	162,980	112,885	38,668	350,461	208,544	73,816	37	129,671	—	129,671
Changzhou Huanghai Automobiles Co., Ltd.	Changzhou	Manufacturing	350,558	381,190	416,487	429,566	151,282	216,829	121,061	(108,590)	34	64,266	—	64,266
Huaneng Tieling Wind Power Co., Ltd	Tieling	Electricity industry	155,500	32,055	372,868	111,882	125,547	167,494	32,510	4,339	25	41,873	—	41,873
Huaneng Panjin Wind Power Co., Ltd	Panjin	Electricity industry	172,336	41,251	407,166	69,649	211,240	167,528	38,332	541	47	78,738	—	78,738
Huaneng Tieling Daxing Wind Power Co., Ltd	Tieling	Electricity industry	163,960	389,247	141,368	182,357	171,909	176,349	30,710	10,190	25	44,087	—	44,087
Datong ABB Traction Transformer Co., Ltd	Datong	Manufacturing	USD6,000	679,660	48,994	425,531	34,573	268,550	698,933	182,124	50	134,275	—	134,275
Xi'an Alstom Yongji Electric Equipment Co., Ltd	Xi'an	Manufacturing	EUR2,660	113,112	17,230	36,675	5,961	87,706	124,945	27,753	49	42,976	—	42,976
Alstom Qingdao Railway Equipment Co., Ltd	Qingdao	Manufacturing	10,000	184,532	11,109	40,789	9,773	145,079	134,986	42,345	49	71,089	—	71,089
Beijing Nankou Railway Bearings Co., Ltd	Beijing	Manufacturing	193,457	221,887	118,866	38,757	—	301,996	205,357	(4,242)	49	147,978	—	147,978
Xinyang Amsted Tonghe Wheels Co., Ltd	Xinyang	Manufacturing	USD52,174	619,432	321,355	355,859	—	584,928	496,854	34,045	25	146,232	—	146,232
Shanghai Alstom Transport Electric Equipment Co., Ltd	Shanghai	Manufacturing	100,000	546,796	81,794	401,826	37,754	189,010	317,300	23,018	40	75,604	—	75,604
Tianjin Electric Locomotive Co., Ltd	Tianjin	Manufacturing	960,000	486,130	1,206,883	569,624	300,860	822,529	89,615	(59,359)	43.75	359,856	6,534 (Note 3)	366,390

Notes:

1. RMB33,210,000 was adjusted to offset the unrealised internal profit.

2. The net effect amount of the second batch of share option granted to the employees by the company during the previous years, which will be expired in 2014, and the net effect amount of the recognition of the third batch of share options is RMB344,000.

3. Goodwill formed in acquiring investment.

31 December 2013

Name of investee	Country of incorporation	Nature of business	Registered capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net Assets	Operating Income	Operating profit and OCI	Proportion	Net assets proportion according to proportion of shareholding	Other Adjustment	Book Value
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*(%)*	*RMB'000*	*RMB'000*	*RMB'000*
Joint venture														
Bombardier Sifang (Qingdao) Transportation Ltd	Qingdao	Manufacturing	USD84,120	11,477,059	1,347,021	8,449,239	1,394,066	2,980,775	4,321,050	671,430	50	1,490,387	—	1,490,387
Zhuzhou Shiling Traffic Equipment Co., Ltd.	Zhuzhou	Manufacturing	USD14,000	440,682	53,768	140,892	—	353,558	489,633	44,878	50	176,779	(6,256) (Note 1)	170,253
Zhuzhou High-tech Investment & Guaranty, Co., Ltd	Zhuzhou	Manufacturing	100,000	57,665	176,519	92,454	—	141,730	3,844	13,608	50	70,865	—	70,865
Siemens Traction Equipment Ltd. Zhuzhou	Zhuzhou	Manufacturing	128,989	392,252	6,083	186,541	60,301	151,493	383,534	(484)	50	75,747	—	75,474
CSR MNG	Ankara, Turkey	Manufacturing	TurkishLira 65,040	111,739	223,127	4,680	—	330,186	—	—	50	198,112	—	198,112
Changchun Bombardier Railway Vehicles Co., Ltd	Changchun	Manufacturing	239,450	1,159,360	69,225	909,834	—	318,751	672,240	8,680	50	159,376	—	159,376
Shenyang CNR Wabtec Railway Brake Technology Co.,Ltd	Shenyang	Manufacturing	138,000	136,784	73,709	66,537	—	143,956	136,541	(5,914)	50	71,978	—	71,978
Dalian Toshiba Locomotive Electric Equipment Co., Ltd	Dalian	Manufacturing	USD7,417	2,392,404	81,220	1,808,759	178,377	486,488	2,036,373	141,013	50	243,244	—	243,244
Hitachi Yonge Electric Equipment Co., Ltd	Xi'an	Manufacturing	USD35460	1,657,327	173,052	825,304	299,947	705,128	1,016,143	210,035	50	352,564	—	352,564
Qingdao FAIVELEY SRI Rail Brake Co., Ltd	Qingdao	Manufacturing	30,000	409,254	17,790	201,843	34,167	191,034	313,428	26,495	50	95,517	—	95,517
Changchun Diandi Int'l Industrial Co., Ltd	Changchun	Manufacturing	USD900	34,379	86	1,507	—	32,958	25,507	2,381	50	16,479	—	16,479
Beijing Danobat CNR Feb.7th Machine Tools	Beijing	Manufacturing	10,000	10,209	—	191	—	10,018	400	18	50.1	5,019	—	5,019

Name of investee	Country of incorporation	Nature of business	Registered capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net Assets	Operating Income	Operating profit and OCI	Proportion	Net assets proportion according to proportion of shareholding	Other Adjustment	Book Value
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*(%)*	*RMB'000*	*RMB'000*	*RMB'000*
Associate														
Guangzhou Electric Locomotive Co., Ltd	Guangzhou	Manufacturing	1,000,000	545,267	835,858	384,270	3,090	993,765	4,448	1,808	40	397,506	(413) *(Note 2)*	397,093
Guiyang Times Wharton Technology Co., Ltd	Guiyang	Manufacturing	26,310	307,206	120,104	98,113	56,448	272,749	351,064	73,681	37	102,359	—	102,359
Changzhou Huanghai Automobiles Co., Ltd.	Changzhou	Manufacturing	350,558	368,403	432,645	405,086	94,855	301,107	111,957	(67,.828)	34	101,186	—	101,186
Huaneng Tieling Wind Power Co., Ltd	Tieling	Electricity industry	155,500	19,250	388,696	56,549	186,310	165,087	41,746	6,372	25	41,271	—	41,271
Huaneng Panjin Wind Power Co., Ltd	Panjin	Electricity industry	172,336	49,871	421,038	119,602	184,320	166,987	44,100	(7,036)	47	78,484	—	78,484
Huaneng Tieling Daxing Wind Power Co., Ltd	Tieling	Electricity industry	163,960	46,481	377,595	233,025	24,890	166,161	6,650	2,188	25	41,540	—	41,540
Datong ABB Traction Transformer Co., Ltd	Datong	Manufacturing	USD6,000	508,669	48,444	323,280	36,306	197,527	572,075	111,439	50	98,764	—	98,764
Xi'an Alstom Yongji Electric Equipment Co., Ltd	Xi'an	Manufacturing	EUR2,660	92,562	16,629	43,775	5,463	59,953	105,758	15,973	49	29,377	—	29,377
Alstom Qingdao Railway Equipment Co., Ltd	Qingdao	Manufacturing	10,000	153,481	11,698	56,665	5,912	102,602	134,273	39,617	49	50,275	—	50,275
Beijing Nankou Railway Bearings Co., Ltd	Beijing	Manufacturing	193,457	323,681	118,499	95,976	—	346,204	416,499	38,836	49	169,640	—	169,640
Xinyang Amsted Tonghe Wheels Co., Ltd	Xinyang	Manufacturing	USD52,174	692,153	348,811	440,079	—	600,885	616,338	47,645	25	150,221	—	150,221
Shanghai Alstom Transport Electric Equipment Co., Ltd	Shanghai	Manufacturing	100,000	484,771	72,591	353,473	37,681	166,208	373,535	31,619	40	66,483	—	66,483
Tianjin Electric Locomotive Co., Ltd	Tianjin	Manufacturing	960,000	473,327	1,166,674	432,252	325,860	881,889	198,986	(28,826)	43.75	385,826	6,534 *(Note 3)*	392,360

Notes:

1. RMB6,256,000 was adjusted to offset the unrealised internal profit.

2. The net effect amount of the first batch of share option granted to the employees by the company during the previous years, which will be expired in 2013, and the net effect amount of the recognition of the second and third batch of share options is RMB413,000.

3. Goodwill formed in acquiring investment.

8. Fixed assets

(1) Fixed assets

31 October 2014

	1 January 2014	Increase in the period	Decrease in the period	31 October 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total original carrying amount				
Buildings	27,970,322	2,794,153	(76,088)	30,688,387
Machinery and equipment	31,699,973	2,855,514	(397,042)	34,158,445
Transportation vehicles	2,294,397	132,366	(63,940)	2,362,823
Others	3,156,490	471,020	(80,738)	3,546,772
	65,121,182	6,253,053	(617,808)	70,756,427
Total accumulated depreciation				
Buildings	(5,354,742)	(858,791)	23,034	(6,190,499)
Machinery and equipment	(12,308,313)	(2,149,584)	263,447	(14,194,450)
Transportation vehicles	(1,110,807)	(181,563)	46,348	(1,246,022)
Others	(1,778,480)	(342,419)	59,980	(2,060,919)
	(20,552,342)	(3,532,357)	392,809	(23,691,890)
Total net book value of fixed assets				
Buildings	22,615,580	1,935,362	(53,054)	24,497,888
Machinery and equipment	19,391,971	705,930	(133,595)	19,964,306
Transportation vehicles	1,183,590	(49,197)	(17,592)	1,116,801
Others	1,378,010	128,601	(20,758)	1,485,853
	44,569,151	2,720,696	(224,999)	47,064,848

	1 January 2014	Increase in the period	Decrease in the period	31 October 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total impairment provision				
Buildings	(44,616)	(385)	14	(44,987)
Machinery and equipment	(239,044)	(4,406)	11,858	(231,592)
Transportation vehicles	(6,951)	—	4	(6,947)
Others	(9,249)	—	1,188	(8,061)
	(299,860)	(4,791)	13,064	(291,587)
Total net carrying amount of fixed assets				
Buildings	22,570,964	1,934,977	(53,040)	24,452,901
Machinery and equipment	19,152,927	701,524	(121,737)	19,732,714
Transportation vehicles	1,176,639	(49,197)	(17,588)	1,109,854
Others	1,368,761	128,601	(19,570)	1,477,792
	44,269,291	2,715,905	(211,935)	46,773,261

Year 2013

	Opening	Increase in the period	Decrease in the period	Closing
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total original carrying amount				
Buildings	24,672,726	3,465,051	(167,455)	27,970,322
Machinery and equipment	28,111,090	4,316,931	(728,048)	31,699,973
Transportation vehicles	1,976,383	351,459	(33,445)	2,294,397
Others	2,832,782	405,716	(82,008)	3,156,490
	57,592,981	8,539,157	(1,010,956)	65,121,182
Total accumulated depreciation				
Buildings	(4,609,096)	(851,483)	105,837	(5,354,742)
Machinery and equipment	(10,474,906)	(2,268,120)	434,713	(12,308,313)
Transportation vehicles	(940,477)	(196,977)	26,647	(1,110,807)
Others	(1,477,863)	(373,548)	72,931	(1,778,480)
	(17,502,342)	(3,690,128)	640,128	(20,552,342)
Total net book value of fixed assets				
Buildings	20,063,630	2,613,568	(61,618)	22,615,580
Machinery and equipment	17,636,184	2,049,122	(293,335)	19,391,971
Transportation vehicles	1,035,906	154,482	(6,798)	1,183,590
Others	1,354,919	32,168	(9,077)	1,378,010
	40,090,639	4,849,340	(370,828)	44,569,151

	Opening	Increase in the period	Decrease in the period	Closing
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total impairment provision				
Buildings	(42,154)	(2,489)	27	(44,616)
Machinery and equipment	(243,325)	(1,425)	5,706	(239,044)
Transportation vehicles	(7,573)	—	622	(6,951)
Others	(9,975)	—	726	(9,249)
	(303,027)	(3,914)	7,081	(299,860)
Total net carrying amount of fixed assets				
Buildings	20,021,476	2,611,079	(61,591)	22,570,964
Machinery and equipment	17,392,859	2,047,697	(287,629)	19,152,927
Transportation vehicles	1,028,333	154,482	(6,176)	1,176,639
Others	1,344,944	32,168	(8,351)	1,368,761
	39,787,612	4,845,426	(363,747)	44,269,291

As at 31 October 2014 and 31 December 2013, the Enlarged Group's plant property and machinery equipment is equivalent to charge to RMB23,360,000 and RMB52,630,000, which is regarded as the guarantee of bank loan.

(1) Fixed assets leased under finance leases:

31 October 2014

	Carry amount	Accumulated depreciation	Net book value
	RMB'000	*RMB'000*	*RMB'000*
Buildings	90,531	29,045	61,486
Machinery and equipment	257,997	43,539	214,458
Total	348,528	72,584	275,944

9. Intangible assets

31 October 2014

	1 January 2014	Additions	Written off	31 October 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
Land use rights	14,935,332	451,107	(12,028)	15,374,411
Proprietary technology and industrial property rights	1,135,069	51,138	(1,803)	1,184,404
Software license	1,144,939	281,966	(4,864)	1,422,041
Customer relations	—	242,338	—	242,338
Unfinished orders and technical service preferential contract	—	49,470	—	49,470
Others	348,065	—	(1,453)	346,612
	17,563,405	1,076,019	(20,148)	18,619,276

	1 January 2014	Additions	Written off	31 October 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated amortisation				
Land use rights	(1,445,066)	(257,642)	1,517	(1,701,191)
Proprietary technology and industrial property rights	(525,177)	(60,070)	1,803	(583,444)
Software license	(579,918)	(154,077)	2,960	(731,035)
Customer relations	—	(7,152)	—	(7,152)
Unfinished orders and technical service preferential contract	—	(1,460)	—	(1,460)
Others	(34,334)	(11,266)	1,453	(44,147)
	(2,584,495)	(491,667)	7,733	(3,068,429)

	1 January 2014	Additions	Written off	31 October 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Book balance				
Land use rights	13,490,266	193,465	(10,511)	13,673,220
Proprietary technology and industrial property rights	609,892	(8,932)	—	600,960
Software license	565,021	127,889	(1,904)	691,006
Customer relations	—	235,186	—	235,186
Unfinished orders and technical service preferential contract	—	48,010	—	48,010
Others	313,731	(11,266)	—	302,465
	(14,978,910)	584,352	(12,415)	15,550,847

	1 January 2014	Additions	Written off	31 October 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision for impairment				
Proprietary technology and industrial property rights	(144,331)	—	—	(144,331)
Others	(24,000)	—	—	(24,000)
	(168,331)	—	—	(168,331)
Book value				
Land use rights	13,490,266	193,465	(10,511)	13,673,220
Proprietary technology and industrial property rights	465,561	(8,932)	—	456,629
Software license	565,021	127,889	(1,904)	691,006
Customer relations	—	235,186	—	235,186
Unfinished orders and technical service preferential contract	—	48,010	—	48,010
Others	289,731	(11,266)	—	278,465
	14,810,579	584,352	(12,415)	15,382,516

Year 2013

	Opening	Additions	Written off	Closing
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
Land use rights	13,862,482	1,119,466	(46,616)	14,935,332
Proprietary technology and industrial property rights	918,961	216,108	—	1,135,069
Software license	935,356	228,335	(18,752)	1,144,939
Customer relations	—	—	—	—
Unfinished orders and technical service preferential contract	—	—	—	—
Others	59,618	288,447	—	348,065
	15,776,417	1,852,356	(65,368)	17,563,405
Accumulated amortisation				
Land use rights	(1,154,552)	(298,766)	8,252	(1,445,066)
Proprietary technology and industrial property rights	(461,316)	(63,861)	—	(525,177)
Software license	(440,147)	(143,017)	3,246	(579,918)
Customer relations	—	—	—	—
Unfinished orders and technical service preferential contract	—	—	—	—
Others	(17,369)	(16,965)	—	(34,334)
	(2,073,384)	(522,609)	11,498	(2,584,495)

	Opening	Additions	Written off	Closing
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Book balance				
Land use rights	12,707,930	820,700	(38,364)	13,490,266
Proprietary technology and industrial property rights	457,645	152,247	—	609,892
Software license	495,209	85,318	(15,506)	565,021
Customer relations	—	—	—	—
Unfinished orders and technical service preferential contract				
Franchise	—	—	—	—
Others	42,249	271,482	—	313,731
	13,703,033	1,329,747	(53,870)	14,978,910
Provision for impairment				
Proprietary technology and industrial property rights	(144,331)	—	—	(144,331)
Others	—	(24,000)	—	(24,000)
	(144,331)	(24,000)	—	(168,331)

	Opening	Additions	Written off	Closing
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Book value				
Land use rights	12,707,930	820,700	(38,364)	13,490,266
Proprietary technology and industrial property rights	313,314	152,247	—	465,561
Software license	495,209	85,318	(15,506)	565,021
Customer relations	—	—	—	—
Unfinished orders and technical service preferential contract	—	—	—	—
Others	42,249	247,482	—	289,731
	13,558,702	1,305,747	(53,870)	14,810,579

As at 31 October 2014 and 31 December 2013, the book value of the Enlarged Group's land equivalent to RMB20,053,000 and RMB15,963,000 are regarded as the guarantee of bank loan.

10. Other non-current assets

	31 October 2014	31 October 2013
	RMB'000	*RMB'000*
Prepaid investment funds	—	3,000
Prepaid land funds	1,308,872	1,491,315
Prepaid equipment	1,355,376	1,202,163
Direct insurance *(Note 1)*	90,573	—
Prepaid the purchase of intangible assets	7,434	7,434
Others *(Note 2)*	706,566	487,274
	3,468,821	3,191,186

Note 1: This direct insurance relates to the specific pension plan of BOGE Germany ("BOGE"). BOGE purchased by the subsidiary CSR New Material Technology Co., Ltd. (中國南車新材料科技有限責任公司) in September 2014 and the betriebsrat already agreed BOGE can withdraw capital from the direct insurance agreement fund directly. Therefore, the direct insurance does not belong to the plan assets. It was classified as loan or Trade receivables because it does not have active trading market. Meanwhile, it was subsequent stated at amortize cost.

Note 2: The majority are financial asset that relates to the "Building-Transfer" projects of the Enlarged Group.

11. Notes payables

	31 October 2014	31 October 2013
	RMB'000	*RMB'000*
Commercial acceptances	1,276,421	865,284
Bank acceptances	20,079,043	20,615,377
	21,355,464	21,480,661

12. Accounts payable

Foreign currency accounts payable are as follows:

	31 October 2014		
	Foreign currency	**Exchange rate**	**Equivalent to RMB'000**
Euro	105,946	7.7377	819,776
Hong Kong Dollar	727,401	0.7925	576,465
Swiss Franc	929	6.3881	5,937
US Dollar	43,109	6.1461	264,954
Japanese Yen	7,112,427	0.0562	399,718
Canadian Dollar	5,580	5.4886	30,626
Great British Pound	313	9.8202	3,070
Malaysia's Ringgit	61,066	1.8638	113,814
Australian Dollar	1,594	5.4160	8,633
South African Rand	86,632	0.5542	48,011
Turkey Liras	505	2.7557	1,393
Brazil Real	3,655	2.5089	9,169
			2,281,566

	31 December 2013		
	Foreign currency	Exchange rate	Equivalent to RMB'000
Euro	105,762	8.4189	890,400
Hong Kong Dollar	232,204	0.7862	182,559
Swiss Franc	15,540	6.8617	106,631
US Dollar	17,486	6.0969	106,610
Japanese Yen	1,394,912	0.0581	81,044
Canadian Dollar	2,663	5.4301	14,460
Great British Pound	547	10.0556	5,500
Malaysia's Ringgit	1,798	1.8543	3,334
Australian Dollar	399	5.7259	2,285
South African Rand	450	0.5817	262
Turkey Liras	21	2.8551	60
Brazil Real	—	—	—
			1,393,145

As at 31 October 2014 and 31 December 2013, the balance of this account includes shareholders or related parties which hold 5% or more shares of CSR or CNR. The details are disclosed in note VIII and related party relationships and transactions discloses.

As at 31 October 2014 and 31 December 2013, there is no large accounts payable aging over one year in the Enlarged Group.

13. Advances from customers

The Enlarged Group had no individual significant advance from customers which is aged more than one year, as at 31 October 2014 and 31 December 2013.

The closing balance of this account does not include shareholders or related parties who hold 5% or more shares of CSR or CNR, as at 31 October 2014 and 31 December 2013, see note VIII disclosures of related party relationships and transactions for detail.

14. Operating income and operating costs

Operating income as follows:

	1 January 2014 to 31 October 2014	Year 2013
	RMB'000	*RMB'000*
Principal operating income	165,597,466	191,057,885
Other operating income	1,807,099	2,201,165
	167,404,565	193,259,050

Operating costs are as follows:

	1 January 2014 to 31 October 2014	Year 2013
	RMB'000	*RMB'000*
Principal operating income	131,293,298	157,346,098
Other operating income	981,652	1,370,382
	132,274,950	158,716,480

15. Administrative expenses

	1 January 2014 to 31 October 2014	Year 2013
	RMB'000	*RMB'000*
Employee salaries	4,370,736	4,695,835
Research and development	5,856,003	6,391,881
Depreciation	749,204	767,465
Others	3,446,389	4,476,216
	14,422,332	16,331,397

16. Investment income

	1 January 2014 to 31 October 2014	Year 2013
	RMB'000	*RMB'000*
Long-term equity investments:		
— Equity method of accounting of long-term equity investment	566,463	654,130
— Disposal of long-term equity investments	20,077	—
Disposal of long-term equity investment income measured at their disposal at fair value and changes through profit or loss financial assets achieved return on investment	4,496	13,033
Investment income of available-for-sale financial assets	23,950	5,853
Disposal of available-for-sale financial assets and other returns on investments	400	118,132
Investment income of financial products	43,031	—
Others	469	(49,957)
	658,886	741,191

Top five entities with largest amounts of long-term equity investment income in equity method of accounting are as following:

1 January 2014 to 31 October 2014

	Amount *RMB'000*
Bombardier Sifang (Qingdao) Transportation Ltd.	208,703
Toshiba Dalian Locomotive Equipment Co., Ltd.	98,961
Datong ABB Traction Transformer Co., Ltd.	91,062
Hitachi Yongji Electric Equipment Company	77,689
CSR Zhuzhou Times High-tech Investment and Guarantee Ltd.	53,916
	530,331

Year 2013

	Amount *RMB'000*
Bombardier Sifang (Qingdao) Transportation Ltd.	335,715
Hitachi Yongji Electric Equipment Company	102,889
Toshiba Dalian Locomotive Electrical Equipment Co., Ltd.	60,980
Datong ABB Traction Transformer Co., Ltd.	55,558
Guiyang Vontron Technology Co., Ltd.	27,107
	582,249

17. Other comprehensive income

Presentation of items of other comprehensive income

	1 January 2014 to 31 October 2014		
	Amount before income tax	**Income tax**	**Amout after income tax**
	RMB'000	*RMB'000*	*RMB'000*
The other comprehensive income which cannot be reclassified into gain and loss in future:			
Remeasurment of net defined benefits liabilities	(308,172)	—	(308,172)
The other comprehensive income which can be reclassified into gain and loss in future:			
The changes in the fair value of available-for-sale financial assets	98,637	18,087	80,550
Less: The other comprehensive income in the prior period transferred into gain and loss	—	—	—
Sub-total	98,637	18,087	80,550
Translation differences arising On translation of financial statements Denominated in foreign currencies	(79,336)	—	(79,336)
Less: The other comprehensive income in the prior period transferred into gain and loss	—	—	—
Sub-total	(79,336)	—	(79,336)
Total	(288,871)	18,087	(306,958)

	1 January 2013 to 31 October 2013		
	Amount before income tax	**Income tax**	**Amout after income tax**
	RMB'000	*RMB'000*	*RMB'000*
The other comprehensive income which cannot be reclassified into gain and loss in future:			
Remeasurment of net defined benefits liabilities	146,870	—	146,870
The other comprehensive income which can be reclassified into gain and loss in future:			
The changes in the fair value of available-for-sale financial assets	465,865	33,342	432,523
Less: the other comprehensive income	(118,132)	(9,003)	(109,129)
Sub-total	347,733	24,339	323,394
Translation differences arising on translation of financial statements denominated in foreign currencies	(29,597)	—	(29,597)
Less: the other comprehensive income in the prior period transferred into gain and loss	—	—	—
Sub-total	(29,597)	—	(29,597)
Total	465,006	24,339	440,667

The change of the other comprehensive income attributable to shareholders

	Period from 1 January to 31 October 2014			
	The fair value change of available-for-sale financial assets	**Translation differences arising on translation of financial statements denominated in foreign currencies**	**Remeaurement of net defined benefits liabilities**	**Totol other comprehensive income**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	114,935	(53,641)	(224,982)	(163,688)
The change in the current period	80,550	583	(308,191)	(227,058)
At 31 October 2014	195,485	(53,058)	(533,173)	(390,746)

	2013			
	The fair value change of available-for-sale financial assets *RMB'000*	**Translation differences arising on translation of financial statements denominated in foreign currencies** *RMB'000*	**Remeaurement of net defined benefits liabilities** *RMB'000*	**Totol other comprehensive income** *RMB'000*
At 1 January 2013	(208,459)	(24,775)	(372,227)	(605,461)
The change in the current period	323,394	(28,866)	147,245	441,773
At 31 December 2014	114,935	(53,641)	(224,982)	(163,688)

VIII. RELATIONSHIPS AND TRANSACTIONS OF THE RELATED PARTY

1. Subsidiaries

Subsidiaries are in recorded Note VI the consolidation scope of consolidated statement.

2. Joint ventures and associated enterprises

Subsidiaries are in recorded Note (VII) 7 the consolidation scope of consolidated statement.

3. Main transactions between the Enlarged Group and related parties

		1 January 2014 to 31 October 2014	Year 2013
		RMB'000	*RMB'000*
(1)	Sales and labor services		
	Provided to related parties *Note 1*		
	Sales to related companies		
	CSRG and its subsidiaries (excluding CSR Group)	49,021	128,581
	CNRG and its subsidiaries (excluding CNR Group)	51,593	63,238
	Joint Ventures and Associated Enterprises of the Enlarged Group	1,318,543	1,526,285
	Providing services to related party		
	CSRG and its subsidiary (excluding CSR Group)	4,526	858
	Joint ventures and associates of the Enlarged Group	97,840	2,643

			1 January 2014 to 31 October 2014	Year 2013
			RMB'000	*RMB'000*
(2)	Purchases and accepting labor services	*Note 1*		
	Purchase from related parties			
	CSRG and its subsidiaries (excluding CSR Group)		98,932	177,526
	CNRG and its subsidiaries (excluding CNR Group)			
	Joint ventures and associates of the Enlarged Group		92,943	95,037
			4,807,852	3,546,384
	Accepting labor services from related party			
	CSRG and its subsidiaries (excluding CSR Group)		3,975	—
	Joint ventures and associates of the Enlarged Group		262	—

		1 January 2014 to 31 October 2014	Year 2013
		RMB'000	*RMB'000*
(3) Other major related transactions			
Assets rent from related parties			
CSRG and its subsidiaries (excluding CSR Group)		13,886	24,063
CNRG and its subsidiaries (excluding CNR Group)		27,833	32,797
Financial services and interest income			
CSRG and its subsidiaries (excluding CSR Group)	*Note 2*	1,828	—
Loans guaranteed by related parties			
CSRG and its subsidiaries (excluding CSR Group)		8,064	—
Entrusted Loan			
CNRG and its subsidiaries (excluding CNR Group)		—	601,980
Entrusted loans to related parties			
CNRG and its subsidiaries (excluding CNR Group)		—	1,650
Interest expense			
CSRG and its subsidiaries (excluding CSR Group)		36,842	—
CNRG and its subsidiaries (excluding CNR Group)		29,268	3,306
Increase/decrease of entrusted Loan			
CSRG and its subsidiaries (excluding CSR Group)		(26,448)	33,157
CNRG and its subsidiaries (excluding CNR Group)		(34,820)	422,190

	1 January 2014 to 31 October 2014	Year 2013
	RMB'000	*RMB'000*
(4) Assets transfer of related parties		
Fixed assets purchased from related parties		
CSRG and its subsidiaries (excluding CSR Group)	15,519	—
CNR and its subsidiaries	—	26,823
Intangible assets purchased from related parties		
CNRG and its subsidiaries	—	29,405

Note 1: The articles about the sales transactions and purchase transactions of related parties above must be discussed and confirmed by both sides of the business.

Note 2: The Enlarged Group provides loans to its subsidiaries through CSR Finance Co., Ltd and obtain the corresponding loan interest income.

(5) Related party lending funds

Related parties	Amount	Start date	Expiration date	As at 31 October 2014
	RMB'000			*RMB'000*
Borrowings				
CSRG and its subsidiaries (Excluding the CSR Group)	150,000	24 January 2014	31 December 2014	150,000

	31 October 2014			31 December 2013		
	Amount	Provision for bad debts	Book value	Amount	Provision for bad debts	Book value
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables						
CSRG and its subsidiaries (excluding CSR Group)	36,096	3,672	32,424	64,959	—	64,959
CNRG and its subsidiaries (excluding CNR Group)	73,149	1,653	71,496	47,139	3,126	44,013
Joint ventures and associates of the Enlarged Group	328,542	181	328,361	574,868	279	574,589
Other receivables						
CSRG and its subsidiaries (excluding CSR Group)	7,891	—	7,891	—	—	—
Joint ventures and associates of the Enlarged Group	12,882	—	12,882	7,963	—	7,963
Notes Receivable						
CSRG and its subsidiaries (excluding CSR Group)	12,570	—	12,570	29,000	—	29,000
Joint ventures and associates of the Enlarged Group	14,988	—	14,988	4,247	—	4,247
Prepayments						
CSRG and its subsidiaries (excluding CSR Group)	—	—	—	3,097	—	3,097
CNRG and its subsidiaries (excluding CNR Group)	3,426	—	3,426	4,326	—	4,326
Joint ventures and associates of the Enlarged Group	36,068	—	36,068	13,196	—	13,196

	31 October 2014			31 December 2013		
	Amount	Provision for bad debts	Book value	Amount	Provision for bad debts	Book value
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loans and advances						
CSRG and its subsidiaries	80,000	800	79,200	30,000	—	30,000
Dividends receivable						
Joint ventures and associates of the Enlarged Group	15,500	—	15,500	20,694	—	20,694
Other non-current assets						
Joint ventures and associates of the Enlarged Group	3,856	—	3,856	108	—	108

4. Balances of major payables to related parties

	31 October 2014	31 December 2013
	RMB'000	*RMB'000*
Accounts payable		
CSRG and its subsidiaries (excluding CSR Group)	26,259	55,702
CNRG and its subsidiaries (excluding CNR Group)	45,331	70,526
Joint ventures and associates of the Enlarged Group	1,312,423	2,356,791
Bills payable		
CSRG and its subsidiaries (excluding CSR Group)	1,780	17,766
CNRG and its subsidiaries (excluding CNR Group)	—	300
Joint ventures and associates of the Enlarged Group	207,301	275,410
Other payables		
CSRG and its subsidiaries (excluding CSR Group)	362,591	362,071
CNRG and its subsidiaries (excluding CNR Group)	28,528	85,396
Joint ventures and associates of the Enlarged Group	5,428	102,854
Advance from customers		
CNRG and its subsidiaries (excluding CNR Group)	1	91,458
Joint ventures and associates of the Enlarged Group	40,046	105,253
Short-term loans		
CSRG and its subsidiaries (excluding CSR Group)	750,000	750,000
CNRG and its subsidiaries (excluding CNR Group)	601,980	601,980

	31 October 2014	31 December 2013
	RMB'000	*RMB'000*
Acceptance of money deposits		
CSRG and its subsidiaries (excluding CSR Group)	6,709	33,157
CNRG and its subsidiaries (excluding CNR Group)	387,370	422,190
Dividends payable		
CNRG and its subsidiaries (excluding CNR Group)	53,623	53,742
Interests payable		
CNRG and its subsidiaries (excluding CNR Group)	1,013	393

Receivables and payables to related parties bear no interest and unsecured. The repayment period of trade contracts was complied with the trade clause and no fixed repayment period for non-trade contracts which was repaid on demand.

IX. EVENTS AFTER THE BALANCE SHEET DATE

The Company convened the seventh meeting of the third session of the board of directors from 29 December to 30 December 2014, in which the company agreed to sign the "Merger Agreement between CSR Corporation Limited and China CNR Corporation Limited" with China CNR Corporation Limited (hereafter "Merger Agreement"). The Company will be in accordance with its own A shares exchange price of RMB5.63 per share and H shares exchange price of HK$7.32 per share and exchange for A shares and H shares of CNR. The Exchange Ratio is 1: 1.10, meaning that each CNR A share shall be exchanged for 1.10 A shares to be issued by the Company and that each CNR H share shall be exchanged for 1.10 H shares to be issued by the Company, which will be in exchange for all existing issued shares of CNR and complete the merger absorption of CNR.

The Merger Agreement will be effective upon approval by general meeting of shareholders of the Company and CNR respectively and relevant regulatory authorities.

The management discussion and analysis below about CSR Group's financial status and operating performance are extracted from the annual reports of CSR for each of the three years ended 31 December 2011, 2012 and 2013 and from the interim report of CSR for the six months ended 30 June 2014.

For the six months ended 30 June 2014

The management discussion and analysis below about CSR Group's financial status and operating performance are extracted from the interim report of CSR for the six months ended 30 June 2014.

ANALYSIS ON THE CORE BUSINESSES

1. ANALYSIS ON THE OPERATION

(1) Revenue breakdown

Item	January to June 2014		January to June 2013		Growth or decrease rate
	Amount *(RMB'000)*	Percentage *%*	Amount *(RMB'000)*	Percentage *%*	*%*
Locomotives	8,950,326	17.98	6,403,953	17.57	39.76
Passenger carriages	1,925,805	3.87	2,003,030	5.50	(3.86)
Freight wagons	2,979,004	5.99	4,007,476	11.00	(25.66)
MUs	14,045,391	28.22	5,046,087	13.85	178.34
Rapid transit vehicles	6,151,058	12.36	3,033,253	8.32	102.79
New business	6,108,085	12.27	6,334,098	17.38	(3.57)
Others	9,611,424	19.31	9,612,988	26.38	(0.02)
Total	49,771,093	100.00	36,440,885	100.00	36.58

In the first half of 2014, the accumulated revenue amounted to RMB49,771,000 thousand, representing an increase of 36.58% as compared with the same period last year. Details are as follows:

Revenue from CSR Group's locomotive business significantly increased by 39.76% as compared with the same period last year, mainly attributable to the increase in sales of locomotives.

Revenue from CSR Group's passenger carriage business decreased by 3.86% as compared with the same period last year, mainly attributable to the drop in sales of the components of passenger carriages.

Revenue from CSR Group's freight wagon business decreased by 25.66% as compared with the same period last year, mainly attributable to the drop in delivery of freight wagons.

Revenue from CSR Group's MUs business increased by 178.34% significantly as compared with the same period last year, mainly attributable to the increase in delivery of MUs products.

Revenue from CSR Group's rapid transit vehicles business increased by 102.79% significantly as compared with the same period last year, mainly attributable to the increase in delivery of overseas products.

Revenue from new businesses decreased by 3.57% as compared with the same period last year. In particular, revenue from CSR Group's wind power equipment amounted to RMB1,442,034 thousand, revenue from motor vehicle equipment amounted to RMB1,005,292 thousand, revenue from engineering machinery amounted to RMB1,229,110 thousand, revenue from composite material amounted to RMB1,081,784 thousand and revenue from engines amounted to RMB452,439 thousand.

Other businesses mainly include modern logistics business, businesses related to non-rolling stock, etc. Revenue from the segment was basically on a par with the same period last year.

(2) Revenue breakdown by regions

Item	January to June 2014 Amount (RMB'000)	January to June 2014 Percentage %	January to June 2013 Amount (RMB'000)	January to June 2013 Percentage %	Growth rate %
Mainland China	45,202,679	90.82	34,413,598	94.44	31.35
Other countries or regions	4,568,414	9.18	2,027,287	5.56	125.35
Total	49,771,093	100.00	36,440,885	100.00	36.58

Revenue from Chinese mainland market increased by 31.35% as compared with the same period last year whereas revenue from other countries or regions increased by 125.35% as compared with the same period last year, mainly attributable to the increase in product delivery.

(3) Analysis of gross profit and gross profit margin

Item	January to June 2014 Amount (RMB'000)	January to June 2013 Amount (RMB'000)	Growth rate %
Revenue	49,771,093	36,440,885	36.58
Cost of sales	40,467,796	30,329,204	33.43
Gross profit	9,303,297	6,111,681	52.22
Gross profit margin	18.69%	16.77%	

Cost of sales includes raw materials, labor costs, energy charges, depreciation and other major items. During the period, the cost of sales increased by 33.43% as compared with the same period last year, mainly due to the increase in revenue of the current period. From January to June 2014, consolidated gross profit margin of the products was 18.69%, representing an increase of 1.92 percentage points as compared with the same period last year, primarily due to an increase in gross profit margin caused by expansion of revenue scale and changes in revenue structure.

2. COMPOSITION AND CHANGES OF MAJOR ASSETS AND LIABILITIES IN THE FIRST HALF OF 2014

(1) Composition and changes of major assets in the first half of 2014

The composition and changes of major assets (in net value)

Item	30 June 2014		31 December 2013		
	Amount	Percentage	Amount	Percentage	Growth rate
	(RMB'000)	*%*	*(RMB'000)*	*%*	*%*
Total current assets	102,005,064	71.68	83,056,933	68.57	22.81
Of which: Cash and cash equivalents	15,563,698	10.94	14,905,100	12.31	4.42
Pledged bank deposits	3,572,823	2.50	1,495,037	1.23	138.98
Trade receivables	38,404,706	26.99	34,120,810	28.17	12.56
Prepayment, deposits and other receivables	13,121,203	9.22	8,457,464	6.98	55.14
Inventories	27,646,712	19.43	17,721,119	14.63	56.01
Total non-current assets	40,301,323	28.32	38,072,479	31.43	5.85
Of which: Property, plant and equipment	26,028,726	18.29	25,200,595	20.80	3.29
Total assets	142,306,387	100.00	121,129,412	100.00	17.48

As at 30 June 2014, the ratio of current assets to total assets was 71.68%. The asset portfolio was contributed mainly by current assets and less by non-current assets. Such feature was mainly a result of longer production cycle of the equipment manufacturing industry during the operation.

The cash and cash equivalents as at 30 June 2014 increased by 4.42% as compared with that as at the beginning of the year, mainly attributable to the increases in revenue from sales and cash from sale of goods and provision of labour. In relative terms, the cash and cash equivalents accounted for 10.94% of the total assets as at 30 June 2014, representing a decrease of 1.37 percentage points as compared to the beginning of the year.

The pledged bank deposits as at 30 June 2014 increased by 138.98% as compared with that as at the beginning of the year, mainly attributable to the increase in the bank deposits pledged for obtaining borrowings. In relative terms, the pledged bank deposits accounted for 2.50% of the total assets as at 30 June 2014, representing an increase of 1.27 percentage points as compared to the beginning of the year.

The trade receivables as at 30 June 2014 increased by 12.56% as compared with that as at the beginning of the year, mainly attributable to the increases in sales revenue and receivables during the credit period. In relative terms, the trade receivables accounted for 26.99% of the total assets as at 30 June 2014, representing a decrease of 1.18 percentage points as compared to the beginning of the year.

The prepayments, deposits and other receivables as at 30 June 2014 increased by 55.14% as compared with that as at the beginning of the year, mainly attributable to the increase in the prepayments for procurement of raw materials arising from the increase in business. In relative terms, the balance of prepayments, deposits and other receivables accounted for 9.22% of the total assets as at 30 June 2014, representing an increase of 2.24 percentage points as compared to the beginning of the year.

The net inventories as at 30 June 2014 increased by 56.01% as compared with that as at the beginning of the year, mainly attributable to the increase in the balance of inventory resulting from the expansion of sales and production scales. In relative terms, the inventories accounted for 19.43% of the total assets as at 30 June 2014, representing an increase of 4.80 percentage points as compared to the beginning of the year.

The property, plant and equipment as at 30 June 2014 increased by 3.29% as compared with that as at the beginning of the year. Such increase was mainly attributable to the investment in the projects in progress. In relative terms, the property, plant and equipment accounted for 18.29% of the total assets as at 30 June 2014, representing a decrease of 2.51 percentage points as compared to the beginning of the year.

(2) Composition and changes of major liabilities in the first half of 2014

Item	Amount (RMB'000)	Percentage %	Amount (RMB'000)	Percentage %	Growth rate %
Total current liabilities	86,078,590	90.56	67,000,199	89.36	28.48
Of which: Interest-bearing bank and other borrowings	17,604,702	18.52	7,606,292	10.15	131.45
Bills payables	10,574,251	11.12	13,574,959	18.11	(22.10)
Trade payables	39,310,551	41.36	31,798,126	42.41	23.63
Other payables and accruals	17,091,418	17.98	12,523,543	16.70	36.47
Total non-current liabilities	8,971,081	9.44	7,974,582	10.64	12.50
Of which: Interest-bearing bank and other borrowings	4,066,262	4.28	3,568,511	4.76	13.95
Defined benefit obligations	1,200,404	1.26	1,232,950	1.64	(2.64)
Provision for warranties	1,479,718	1.56	1,147,285	1.53	28.98
Total liabilities	95,049,671	100	74,974,781	100	26.78

As at 30 June 2014, the current liabilities accounted for 90.56% of the total liabilities. The structure of the liabilities was featured by a high proportion of current liabilities, which echoed with the high proportion of current assets.

The short-term interest-bearing bank and other borrowings as at 30 June 2014 increased by 131.45% as compared with the beginning of the year, mainly attributable to the addition of certain additional short-term borrowings. In relative terms, the short-term interest bearing bank and other borrowings accounted for 18.52% of the total liabilities as at 30 June 2014, representing an increase of 8.37 percentage points as compared to the beginning of the year.

The bills payables as at 30 June 2014 decreased by 22.10% as compared with the beginning of the year, mainly attributable to the fact that the bills were accepted, matured and settled, along with the decrease in balances. In relative terms, the bills payables accounted for 11.12% of the total liabilities as at 30 June 2014, representing a decrease of 6.99 percentage points as compared to the beginning of the year.

The trade payables as at 30 June 2014 increased by 23.63% as compared with the beginning of the year, mainly attributable to the expansion of operation scale, rise in business volume and increase in procurement. In relative terms, the trade payables accounted for 41.36% of the total liabilities as at 30 June 2014, representing a decrease of 1.05 percentage points as compared to the beginning of the year.

The other payables and accruals as at 30 June 2014 increased by 36.47% as compared with the beginning of the year, mainly attributable to the increases of outstanding dividends and the amount of overseas orders received in advance during the period. In relative terms, the balance of the other payables and accruals accounted for 17.98% of the total liabilities as at 30 June 2014, representing an increase of 1.28 percentage points as compared to the beginning of the year.

The interest-bearing bank and other borrowings as at 30 June 2014 increased by 13.95% as compared with the beginning of the year, mainly attributable to the issuance of additional corporate bonds. In relative terms, the balance of interest-bearing bank and other borrowings accounted for 4.28% of the total liabilities as at 30 June 2014, representing a decrease of 0.48 percentage point as compared to the beginning of the year.

The provision for warranties as at 30 June 2014 increased by 28.98% as compared with the beginning of the year, mainly attributable to the expansion of the scale of revenue. In relative terms, the provision for warranties accounted for 1.56% of the total liabilities as at 30 June 2014, which was basically on a par to that at the beginning of the year.

(3) Capital structure

As at 30 June 2014, the gearing ratio increased to 66.79% from 61.90% at the beginning of the year.

3. MATERIAL CHANGES IN FINANCIAL FIGURES SUCH AS ADMINISTRATIVE EXPENSES IN THE FIRST HALF OF 2014

Item	January to June 2014 Amount *(RMB'000)*	January to June 2013 Amount *(RMB'000)*	Growth rate *%*
Selling and distribution costs	1,669,725	1,043,694	59.98
Administrative expenses	4,364,422	3,272,801	33.35
Finance costs	295,615	275,281	7.39
Share of profits and losses of jointly-controlled entities and associates	174,082	243,889	(28.62)
Income tax expense	614,588	344,237	78.54

From January to June 2014, the selling and distribution costs increased by 59.98% as compared with the same period last year, mainly attributable to the increase in provision for warranties arising from the significant increase in operating revenue.

From January to June 2014, administrative expenses increased by 33.35% as compared with the same period last year, mainly attributable to the increases in the business volume and research and development expenses.

From January to June 2014, finance costs increased by 7.39% as compared with the same period last year, mainly attributable to the increase in the interest on the bank borrowings and the issued bonds.

From January to June 2014, share of profits and losses of jointly-controlled entities and associates decreased by 28.62% as compared with the same period last year, mainly attributable to the decrease in profits of jointly-controlled entities and associates.

From January to June 2014, income tax expense increased by 78.54% as compared with the same period last year, mainly attributable to the increase in profit before taxation.

4. BREAKDOWN OF CASH FLOW IN THE FIRST HALF OF 2014

Item	January to June 2014 Amount *(RMB'000)*	January to June 2013 Amount *(RMB'000)*	Increase *(RMB'000)*
Net cash flow from operating activities	(4,750,037)	(3,250,464)	(1,499,573)
Net cash flow from investment activities	(4,966,953)	(1,939,247)	(3,027,706)
Net cash flow from financing activities	10,288,982	3,030,152	7,258,830

Deficit of net cash flow from operating activities increased by RMB1,499,573 thousand as compared to the same period last year, mainly attributable to the increase in the cash paid for purchase of goods and receipt of labor services.

Deficit of net cash flow from investment activities increased by RMB3,027,706 thousand as compared with the same period last year, mainly attributable to the increase in the cash paid for investments.

Net cash flow from financing activities increased by RMB7,258,830 thousand as compared with the same period last year, mainly attributable to the bank borrowings and issuance of ultra short-term debentures and medium bills.

5. SIGNIFICANT CAPITAL EXPENSES

From January to June 2014, the significant capital expenses are set out in the following table:

Item	January to June 2014 Amount *(RMB million)*	January to June 2013 Amount *(RMB million)*
Property, plant and equipment	2,008	1,550
Prepaid land lease payments	213	42
Total capital expenses	2,221	1,592

6. PARTICULARS OF CONTINGENT LIABILITIES

Save as the guarantees provided by CSR as stated below, CSR had no other material contingent liabilities.

Unit:'000 Currency: RMB

Guarantees provided to external parties
(excluding guarantees provided in favour of its subsidiaries)

Total guarantee amount provided from January to June 2014 (excluding guarantees provided in favour of its subsidiaries)	—
Total guarantee balance from January to June 2014 (A) (excluding guarantees provided in favour of its subsidiaries)	—

Guarantees provided by CSR in favour of its subsidiaries

Total guarantee amount provided to the its subsidiaries from January to June 2014	5,563,190
Total guarantee balance provided to the its subsidiaries from January to June 2014 (B)	7,318,447

Aggregate guarantee amount provided by CSR
(including guarantees provided in favour of its subsidiaries)

Total guarantee amount (A+B)	7,318,447
Percentage of total guarantee amount to net assets *(%)*	19.63
including:	
Provision of guarantee to shareholders, ultimate controller and their related parties (C)	—
Amount of debt guarantees directly or indirectly provided in favour of parties with gearing ratio over 70% (D)	5,192,654
The total amount of guarantees provided which exceeds 50% of the net asset (E)	—
Total amount of the three above-stated guarantees (C+D+E)	5,192,654

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

From January to June 2014, the total guarantee amount provided by CSR in favour of its subsidiaries was approximately RMB5,563 million. As at 30 June 2014, total guarantee balance was approximately RMB7,318 million, representing 19.63% of the net assets. Out of such guarantee balance, RMB5,748 million and RMB1,570 million were provided to wholly- owned subsidiaries and non-wholly owned subsidiaries respectively. As far as guarantee type is concerned, RMB5,184 million was provided by way of bank acceptance drafts, RMB827 million was provided by way of letters of guarantee, and RMB1,307 million was provided by way of loan guarantees.

As at 30 June 2014, CSR did not provide any guarantees in favour of its controlling shareholders, ultimate controller and their related parties; all guarantees provided by CSR were in favour of its subsidiaries. As at 30 June 2014, the guarantee balance provided by CSR in favour of its subsidiaries with gearing ratio over 70% was approximately RMB5,193 million. Approval procedures had been complied with at CSR's Board meetings and the general meetings as required by the Articles of Associations in respect of the guarantees provided by CSR in favour of its wholly-owned and non-wholly owned subsidiaries with gearing ratio over 70%.

7. PARTICULARS OF PLEDGE OF ASSETS

As at 30 June 2014, the following assets of CSR with a total book value of RMB1,377,308 thousand were charged to obtain bank loans and other banking facilities. Such assets included cash and cash equivalents of RMB1,174,520 thousand, property, plant and equipment of RMB60,000 thousand, bills receivable of RMB53,300 thousand, trade receivables of RMB85,000 thousand and other assets of RMB4,488 thousand.

8. STAFF AND THE RELATED REMUNERATION AND TRAINING

As at 30 June 2014, there were no significant changes to the numbers, compositions and remuneration of and trainings for CSR's staff as compared to those disclosed in its 2013 annual report.

9. ANALYSIS ON IMPLEMENTATION PROGRESS OF VARIOUS FINANCING AND MATERIAL ASSET REORGANISATION EVENTS

(1) Corporate bonds: On 22 April 2013, CSR issued two kinds of corporate bonds with an aggregate amount of RMB3 billion, namely five-year bonds and ten-year bonds, of which, 5-year bonds of RMB1.5 billion were issued with an interest rate of 4.7%, maturing on 22 April 2018 and 10-year bonds of RMB1.5 billion were issued with an interest rate of 5%, maturing on 22 April 2023. In April 2014, CSR had paid the first tranche of interests of the 5-year bonds and 10-year bonds.

(2) Ultra short-term debentures: On 4 September 2013, CSR issued ultra short-term debentures with a term of 180 days in the PRC interbank bond market, with an issue amount of RMB2 billion. The interest rate was 4.80% and the maturity date was 4 March 2014, which has been repaid upon maturity on 4 March 2014. On 28 February, CSR issued ultra short-term debentures with a term of 270 days in the PRC inter-bank market, with an issue amount of RMB2 billion. The interest rate was 5% and the maturity date was 25 November 2014. On 28 February 2014, CSR issued ultra short-term debentures with a term of 180 days in the PRC inter-bank market, with an issue amount of RMB2 billion. The interest rate was 5% and the maturity date was 27 August 2014.

ANALYSIS ON INVESTMENT

1. GENERAL ANALYSIS ON EXTERNAL EQUITY INVESTMENT

From January to June 2014, CSR's external investment in equity was RMB21,000 thousand, representing a decrease of 97.96% as compared with the same period last year. Particulars of the investee companies are as follows:

Name of the investee	Principal business	Percentage in the equity of the investee *(%)*	Investment form
CSR Yangtze	Research and development, manufacture and maintenance of railway freight wagons	100	Capital increase
CSR Luoyang	Research and development, manufacture and maintenance of railway locomotives	100	Capital increase

(1) Securities investment

Number	Stock Variety	Stock Code	Stock Short Name	Initial Investment Amount	Number of Shares Held *(share)*	Carrying Amount at the End of the Period	Percentage in Securities Investment at the end of the period *(%)*	Gain or Loss Occurred in the Reporting Period
1	Shares listed in Hong Kong	01618.HK	MCC	HKD38,484,429	6,000,000	HKD9,000,000	100	HKD420,000

(2) Equity interests in other listed companies held by CSR

Stock Code	Stock Short Name	Initial Investment Amount	Shareholding at the beginning of the period (%)	Shareholding at the end of the period (%)	Carrying Amount at the End of the Period	Gain or Loss Occurred in the Reporting Period	Changes in Owner's Equity in the Reporting Period	Accounting Items	Source of Shares
601328	Bank of Communications	RMB752,324	–	–	RMB1,992,059	–	RMB15,442	Available-for-sale financial assets	Purchase
00958.HK	HN Renewables	HK$37,878,000	–	–	HK$38,400,000	–	HK$(17,400,000)	Available-for-sale financial assets	Purchase
01829.HK	CMEC	HK$387,885,829	1.74	1.74	HK$328,656,220	–	HK$(121,272,710)	Available-for-sale financial assets	Purchase
00816.HK	Huadian Fuxin	HK$146,953,610	1.16	1.16	HK$357,986,440	–	HK$87,292,260	Available-for-sale financial assets	Purchase
06818.HK	China Everbright Bank	HK$76,382,245	–	–	HK$67,830,000	–	HK$(5,320,000)	Available-for-sale financial assets	Purchase

The equity interest held by CSR represents less than 1% of the issued share capital of Bank of Communications, HN Renewables and China Everbright Bank.

(3) Equity interests in financial enterprises

Name of Institution	Initial Investment Amount *(RMB)*	Shareholding at the beginning of the period *(%)*	Shareholding at the end of the period *(%)*	Carrying Amount at the End of the Period *(RMB)*	Gain or Loss Occurred in the Reporting Period *(RMB)*	Changes in Owner's Equity in the Reporting Period *(RMB)*	Accounting Items	Source of Shares
Jiangsu Bank	74,400	–	–	74,400	–	–	Long-term equity investments	Purchase
Huarong Xiangjiang Bank Corporation Limited	1,006,250	–	–	786,250	–	–	Long-term equity investments	Purchase
Donghai Securities Co., Ltd.	19,483,800	1.2	1.2	19,483,800	600,000	–	Long-term equity investments	Purchase

2. ENTRUSTED INVESTMENT AND INVESTMENT IN DERIVATIVES

From January to June 2014, CSR bought the capital guaranteed wealth management products from Bank of China, China Guangfa Bank, Industrial Bank, China Construction Bank and other banks with a total amount of RMB1,751 million. The maturity dates range from July to October 2014 with an estimated yield rate of 4.00%-5.50% per annum.

From January to June 2014, CSR did not have any entrusted loansor any other significant wealth management products or investment in derivatives which should be disclosed.

3. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND MAJOR COMPANIES INVESTED BY CSR (FIGURES BELOW ARE PREPARED UNDER THE PRC GAAP)

Unit: RMB'000

Name	Principal Operations	Industry	Registered Capital	Total assets	Net assets attributable to shareholders of CSR	Revenue	Net profit attributable to the Parent Company
	(RMB)	*(%)*	*(%)*	*(RMB)*	*(RMB)*	*(RMB)*	
CSR Zhuzhou	Research and development and manufacture of railway electric locomotives, MUs and rapid transit vehicles	Rolling stock manufacturing industry	4,184,196	24,197,348	5,202,631	10,140,505	430,399
CSR Sifang	Research and development and manufacture of railway MUs, passenger carriages and rapid transit vehicles; provision of maintenance services of railway MUs and high-end passenger carriages	Rolling stock manufacturing industry	4,003,794	27,533,315	6,750,298	17,143,564	940,862
CSR Sifang Ltd.	Maintenance of railway passenger carriages and manufacture of certain accessories for MUs	Rolling stock manufacturing industry	293,095	5,998,485	1,956,699	1,520,956	60,318
CSR Puzhen	Research and development, manufacture and refurbishment of rolling stock vehicles such as passenger carriages and MUs	Rolling stock manufacturing industry	1,759,840	13,830,470	2,059,615	3,642,544	92,369
CSR ZELRI	Research and development and manufacture of railway electric powered motors and control technology and related electric equipment; research and development and manufacture of railway vehicle accessories	Rolling stock manufacturing industry	4,032,900	31,583,078	7,663,012	8,866,321	327,701

Name of the investee company	Principal business scope	Net profit	Investment inome from the investee company	Percentage of net profit of CSR (attributable to the parent)
BST	Production of transit vehicles	265,168	132,584	6.43

4. MAJOR ACQUISITION OR DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES

From January to June 2014, CSR Group did not have any major acquisition or disposal of subsidiaries or associated companies.

For the year ended 31 December 2013

The management discussion and analysis below about CSR Group's financial status and operating performance are extracted from the annual report of CSR for the year ended 31 December 2013.

ANALYSIS OF MAIN BUSINESSES

1. REVENUE

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

The revenue of CSR mainly comprises revenue generated from locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles, new businesses and others. In 2013, CSR positively responded to complicated market environment, implemented annual working philosophy, reinforced operation management and control to ensure stable and sustained operation and management. CSR recorded a revenue of RMB96.525 billion, representing a year-on-year growth of 8.43%, which was mainly attributable to the year-on-year growth of revenue from locomotives, rapid transit vehicles, new businesses, and modern logistics businesses.

(2) Revenue breakdown by business

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

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

650 locomotives were sold, representing a year-on-year increase of 16.49%; revenue from locomotives, increased by 37.85% on a year-on-year basis, which was mainly attributable to an increase in sales volume and the structural change in the variety of products.

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

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

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

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

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

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

(3) Analysis of orders

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

(4) Major suppliers and customers

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

In 2013, the sales of CSR to its top five customers totalled RMB45,589.124 million, accounting for 47.23% of the total sales for the year. Such high degree of customer concentration was primarily attributable to CSR's sales to its biggest customer, namely China Railway Corporation (including all railway bureaus and its subsidiaries), which accounted for 40.62% of the total sales for the year.

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

(5) Revenue breakdown by regions

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

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

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

2. ANALYSIS OF COST AND GROSS PROFIT MARGIN

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

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

Cost of sales increased by 9.05% on a year-on-year basis, amongst which the proportion of raw materials, labor costs, kinetic energy charges, depreciation and other major items to the total cost remained stable without significant changes. Consolidated gross profit margin of products was 17.23%, representing a year-on-year decrease of 0.47 percentage point, primarily due to a drop of gross profit margin caused by changes in revenue structure.

3. MATERIAL CHANGES IN FINANCIAL FIGURES SUCH AS ADMINISTRATIVE EXPENSES IN 2013

In 2013, the financial figures such as administrative expenses of CSR and year-on-year changes thereof are set out in the following table:

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

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

The administrative expenses increased by 11.37% as compared with that of last year, mainly attributable to 1) the continuous increase in research and development expenses and 2) the increase in the salary of management, repair costs and depreciation fees as a result of the growth in operation scale and business volume.

The finance costs decreased by 28.52% as compared with that of last year, mainly attributable to the optimisation of the liability structure and the decrease in interest expense.

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

The increase of 16.05% in income tax expense as compared with that of last year was mainly due to the increase in overall profit from operations for the year.

4. R&D EXPENSES

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

5. BREAKDOWN OF THE CASH FLOW IN 2013

In 2013, the cash flow of CSR and the year-on-year changes thereof are set out in the following table:

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

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

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

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

6. ANALYSIS ON IMPLEMENTATION PROGRESS OF VARIOUS FINANCING AND MATERIAL ASSET REORGANISATION EVENTS

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

(2) Ultra short-term debentures: On 6 December 2012, CSR issued ultra short-term debentures with a term of 270 days in the PRC interbank bond market, with an issue amount of RMB2 billion. The interest rate was 4.38% and the maturity date was on 3 September 2013, which has been repaid upon maturity. On 25 January 2013, CSR issued ultra short-term debentures with a term of 180 days in the PRC interbank bond market, with an issue amount of RMB1 billion. The interest rate was 4.00% and the maturity date was on 27 July 2013, which has been repaid upon maturity. On 31 January 2013, CSR issued ultra short-term debentures with a term of 90 days in the PRC interbank bond market, with an issue amount of RMB2 billion. The interest rate was 3.90% and the maturity date was on 2 May 2013, which has been repaid upon maturity. On 5 July 2013, CSR issued ultra short-term debentures with a term of 90 days in the PRC interbank bond market, with an issue amount of RMB1.5 billion. The interest rate was 4.50% and the maturity date was on 6 October 2013, which has been repaid upon maturity. On 13 August 2013, CSR issued ultra short-term debentures with a term of 90 days in the PRC interbank bond market, with an issue amount of RMB2 billion. The interest rate was 4.54% and the maturity date was on 12 November 2013, which has been repaid upon maturity. On 4 September 2013, CSR issued ultra short-term debentures with a term of 180 days in the PRC interbank bond market, with an issue amount of RMB2 billion. The interest rate was 4.80% and the maturity date was on 4 March 2014, which has been repaid upon maturity on 4 March 2014.

(3) Progress of development strategy and business plan

In 2013, CSR achieved revenue of RMB96.525 billion, representing a year-on-year increase of 8.43%. CSR has entered into the front rank of the industry in the world in terms of total assets, revenue and so forth. CSR established a batch of R&D and manufacturing bases for high-speed MUs, electric locomotives, internal combustion locomotives, rapid transit vehicles, railway freight wagons and so forth with international advanced level. CSR's manufacturing capability has reached the international first-class level. CSR successfully developed and bulk produced high-power alternating current transmission internal combustion and electric locomotives, high-speed MUs, rapid transit vehicles and big-axis overhauling freight wagons with independent intellectual property rights. The performance and quality level of products represented the world-class level. The strategic new businesses such as wind power equipment, electric automobiles, new materials and so forth as well as extended businesses from superior resources such as engineering machinery, engines and so forth entered into a rapid-growth period with formation of development foundation.

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

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

COMPOSITION AND CHANGES OF MAJOR ASSETS AND LIABILITIES IN 2013

1. COMPOSITION AND CHANGES OF MAJOR ASSETS IN 2013

In 2013, CSR's assets were measured mainly by historical cost method and partly at fair value. Main items of statements measured at fair value were financial assets. There was no material change to the measurement basis of major assets during the reporting period.

The composition and year-on-year changes (in net value) of major assets of CSR as at 31 December 2013 are set out in the following table:

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

As at 31 December 2013, the ratio of current assets to total assets was 68.48%. The asset portfolio was contributed mainly by current assets and less by non-current assets. Such feature was mainly a result of the expansion of business scale and longer production cycle of the equipment manufacturing industry.

The cash and cash equivalents as at 31 December 2013 increased by 2.81% as compared with that as at the beginning of the year. This was mainly attributable to the increase in collection of sales revenue at the end of the year. In relative terms, the cash and cash equivalents accounted for 12.31% of the total assets as at 31 December 2013, representing a decrease of 1.47 percentage points from the beginning of the year.

The bills receivables as at 31 December 2013 increased by 65.87% as compared with that as at the beginning of the year, mainly attributable to the increase in the scope of sales revenue and settlements with acceptance bills by clients. In relative terms, bills receivables accounted for 5.12% of the total assets as at 31 December 2013, representing an increase of 1.57 percentage points from the beginning of the year.

Trade receivables as at 31 December 2013 increased by 28.18% as compared with that as at the beginning of the year, mainly due to the expansion in sales scale and increase in receivables in credit terms resulting from concentrated delivery at the end of the year. In relative terms, trade receivables accounted for 28.17% of the total assets as at 31 December 2013, representing an increase of 2.87 percentage points from the beginning of the year.

Net inventories of CSR as at the end of the year decreased by 5.59% as compared with that at the beginning of the year, mainly due to evident effect from lean management of CSR and inventory control. In relative terms, net inventories accounted for 14.63% of the total assets as at 31 December 2013, representing a decrease of 3.21 percentage points from the beginning of the year.

The property, plant and equipment as at 31 December 2013 increased by 9.71% as compared with that as at the beginning of the year. Such increase was mainly attributable to completion of the projects invested and the increase in fixed assets as a result of upgrade of products and technologies. In relative terms, the net value of property, plant and equipment accounted for 20.80% of the total assets as at 31 December 2013, representing a decrease of 1.03 percentage points from the beginning of the year.

2. COMPOSITION AND CHANGES OF MAJOR LIABILITIES IN 2013

The composition and year-on-year changes of major liabilities of CSR as at 31 December 2013 are set out in the following table:

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

As at 31 December 2013, the current liabilities accounted for 89.36% of the total liabilities. The structure of liabilities was featured by a high proportion of current liabilities, which echoed with the high proportion of current assets.

The short-term interest-bearing bank and other borrowings were mainly used for accommodating the needs for liquidity during its operation. The short-term interest-bearing bank and other borrowings as at 31 December 2013 decreased by 11.51% as compared with that as at the beginning of the year, primarily due to the repayment of bonds payable due within a year during the year. In relative terms, the proportion of short-term interest-bearing bank and other borrowings in the total liabilities was 10.15% as at 31 December 2013, representing a decrease of 2.93 percentage points as compared with that as at the beginning of the year.

Bills payables as at the end of the year increased by 4.84% as compared with that as at the beginning of the year. Such increase was mainly attributable to the increase in settlements by bills with its suppliers. In relative terms, the proportion of bills payables in the total liabilities was 18.11% as at the end of the year, representing a decrease of 1.60 percentage points as compared with that as at the beginning of the year.

The trade payables were mainly outstanding amount payable to suppliers of raw materials and suppliers of machinery and equipment as well as construction payables. Trade payables as at 31 December 2013 increased by 19.03% as compared with that as at the beginning of the year. Such increase was mainly attributable to the increase in the amount of procurement resulting from its expansion of business scale and increase in business volume. In relative terms, the proportion of trade payables in total liabilities was 42.41% as at 31 December 2013, representing an increase of 1.75 percentage points as compared with that as at the beginning of the year.

Other payables and accruals as at 31 December 2013 increased by 4.98% as compared with that as at the beginning of the year. Such increase was mainly attributable to the increase in tax payable and salary payable as at the end of the year. In relative terms, the proportion of other payables and accruals in total liabilities was 16.70% as at 31 December 2013, representing a decrease of 1.46 percentage points as compared with that as at the beginning of the year.

The long-term interest-bearing bank and other borrowings as at 31 December 2013 increased by 390.60% as compared with that as at the beginning of the year, mainly attributable to issuance of corporate bonds for the purpose of replenishment of various fund needs such as working capital.

As at 31 December 2013, the defined benefit obligations decreased by 14.23% from last year due to payment and took up a lower proportion by 0.55 percentage point.

As at 31 December 2013, the financial leverage was 59.03%.

3. ASSETS MEASURED AT FAIR VALUE

Item	Amount at the beginning of the period	Gain or loss from changes of fair value during the period	Accumulated changes in fair value recognized in equity	Provision for impairment for the period	Other changes during the period	Amount at the end of the period
Financial assets						
Of which:						
1. Financial assets at Fair value through profit or loss	7,346	-383	—	—	-217	6,746
2. derivative financial instruments	2,243	2,000	—	—	—	4,243
3. available-for-sale investment	493,553	—	330,983	—	-154,608	669,928
Subtotal of financial assets	503,142	1,617	330,983	—	-154,825	680,917
Financial liabilities						
Subtotal of financial liabilities	—	—	—	—	—	—

4. FINANCIAL ASSETS AND FINANCIAL LIABILITIES HELD IN FOREIGN CURRENCIES

The financial assets and financial liabilities held by CSR in foreign currencies are set out in the table below:

Item	Amount at the beginning of the period	Gain or loss from changes of fair value during the period	Accumulated changes in fair value recognized in equity	Provision for impairment for the period	Other changes during the period	Amount at the end of the period
Financial assets						
Of which:						
1. Financial assets at Fair value through profit or loss	7,346	-383	—	—	-217	6,746
Of which: derivative financial instruments	—	—	—	—	—	—
2. loans and other receivables	3,144,820				-740,978	2,403,842
3. available-for-sale investment	491,010	—	331,549	—	-154,607	667,952
4. Investment held to maturity	—	—	—	—	—	—
Subtotal of financial assets	3,643,176	-383	331,549	—	-895,802	3,078,540
Financial liabilities						
Subtotal of financial liabilities	1,489,841	—	—	—	1,472,571	2,962,412

5. SIGNIFICANT CAPITAL EXPENSES DURING THE REPORTING PERIOD

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

Item	2013 Amount *(RMB'000)*	2012 Amount *(RMB'000)*
Property, plant and equipment	4,314	3,246
Prepaid land lease payments	141	280
Total capital expenses	4,455	3,526

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

6. PARTICULARS OF PLEDGE OF ASSETS

As at 31 December 2013, the following assets of CSR were pledged to secure bank loans:

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

7. PARTICULARS OF CONTINGENT LIABILITIES

CSR had no contingent liabilities in 2013.

ANALYSIS ON INVESTMENT

1. GENERAL ANALYSIS OF EXTERNAL INVESTMENT IN EQUITY

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

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

(1) Security investment

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

(2) Equity interests in other listed companies held by CSR

Stock Code	Stock Short Name	Initial Investment Amount	Percentage in the Share Capital of CSR Invested (%)	Carrying Amount at the End of the Reporting Period	Gain or Loss Occurred during the Reporting Period	Changes in Owner's Equity during the Reporting Period	Accounting Item	Source of Equity Interest
601328	Bank of Communications	RMB752,324	—	RMB1,976,617	—	RMB-566,218	Available-for-sale investments	Purchase
00958.HK	HN Renewables	HK$37,878,000	—	HK$55,800,000	HK$72,829,770	HK$196,048,698	Available-for-sale investments	Purchase
00816.HK	Huadian Fuxin	HK$146,953,610	1.16	HK$270,694,180	HK$71,555,446	HK$169,973,866	Available-for-sale investments	Purchase
01829.HK	CMEC	HK$387,885,829	1.74	HK$449,928,930	—	HK$49,782,840	Available-for-sale investments	Purchase
6818.HK	CEB Bank	HK$76,382,245	—	HK$73,150,000	—	HK$-3,232,250	Available-for-sale investments	Purchase

Notes:

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

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

(3) Equity interests in non-listed financial enterprises held by CSR

Name of institution	Initial Investment Amount *(RMB)*	Number of Shares Held *(share)*	Percentage in the Share Capital of CSR Invested *(%)*	Investment in the Period *(RMB)*	Carrying Amount at the End of the Period *(RMB)*	Gain or Loss Occurred during the Reporting Period *(RMB)*	Changes in Owner's Equity during the Reporting Period *(RMB)*	Accounting Item	Source of Equity Interest
Jiangsu Bank	74,400	74,400	—	—	74,400	5,952	—	Available-for-sale investments	Purchase
Huarong Xiangjiang Bank Corporation Limited	1,006,250	875,000	—	236,250	786,250	42,000	—	Available-for-sale investments	Purchase
Donghai Securities Co., Ltd.	19,483,800	20,000,000	1.2	—	19,483,800	—	—	Available-for-sale investments	Purchase

Note:

1. CSR's equity interests in Jiangsu Bank and HuarongXiangjiang Bank Corporation Limited represent less than 1% of their respective share capital.

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

(4) Purchase of shares of other listed companies

Name of Share	Number of shares at the Beginning of the Period *(share)*	Number of Shares Purchased during the Reporting Period *(share)*	Amount of Capital Utilised	Number of shares Sold during the Reporting Period *(share)*	Number of shares at the End of the Period *(share)*	Profit from investment
Huadian Fuxin H share	235,126,000	—	—	146,952,000	88,174,000	HKD71,555,446
HN Renewables H share	155,542,000	—	—	140,542,000	15,000,000	HKD72,829,770
CMEC H Share	7,114,000	64,645,000	HKD352,601,757	—	71,759,000	—
CEB Bank H share	—	19,000,000	HKD76,382,250	—	19,000,000	—

2. ENTRUSTED WEALTH MANAGEMENT AND INVESTMENT IN DERIVATIVES

In 2013, CSR did not have any major entrusted wealth management or any entrusted loans. For derivatives of CSR, please see the below table:

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

The carrying amounts of the derivative financial instruments are the same as their fair values. CSR Meishan Co., Ltd., a subsidiary of CSR, has entered into two forward currency contracts to manage its exchange rate exposure. The forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss.

3. USE OF PROCEEDS

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

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

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

As approved by the 27th meeting of the second session of CSR's Board held on 26 April 2013 and the 12th meeting of the second session of the Supervisory Committee, CSR utilised an aggregate of RMB3,400 million that were not in use to temporarily supplement the working capital for a term of not more than one year. Such capital has been repaid with RMB350 million, RMB60 million, RMB20 million and RMB115 million on 28 June, 14 August, 22 October and 26 December 2013, respectively, with RMB2,855 million to be repaid.

4. MAJOR ACQUISITION OR DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES

In 2013, CSR did not have any major acquisition or disposal of subsidiaries or associated companies.

On 14 May 2013, ZTNM acquired 10% equity interest in CSR Huaxuan by injecting a cash amount of RMB6,671,000 on an individual basis, upon completion of which ZTNM owned 60% equity interest in CSR Huaxuan., and according to the revised articles of association, CSR Huaxuan became the subsidiary of ZTNM. As at the date of acquisition, the fair value of the 50% equity interest initially held by ZTNM was RMB24,472,000.

For the year ended 31 December 2012

The management discussion and analysis below about CSR Group's financial status and operating performance are extracted from the annual report of CSR for the year ended 31 December 2012.

CSR'S OPERATION STATUS

1. REVENUE

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

The revenue of CSR mainly comprises of revenue generated from locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles, new businesses and others. Coping with the complex market situation, CSR captured opportunities for the development in the rolling stock manufacturing industry of the PRC. It also reinforced its development of new products and investment in technological innovation making the most of its strengths in technology upgrade. As a result, the business of CSR continued to expand with steady growth of revenue. In 2012, CSR recorded a revenue of RMB89.02 billion, representing a year-on-year growth of 11.95%, which was mainly attributable to the year-on-year growth of revenue from passenger carriages, freight wagons, MUs, and modern logistics businesses.

(2) Revenue breakdown by business segments

Comparisons between revenue from all business segments of CSR for year 2012 and that for last year are set out in the following table:

	2012		2011		
Business segment	**Amount**	**Percentage**	**Amount**	**Percentage**	**Growth rate**
	(RMB'000)	*%*	*(RMB'000)*	*%*	*%*
Locomotives	14,396,003	16.17	17,803,400	22.39	-19.14
Passenger carriages	7,752,539	8.71	6,354,192	7.99	22.01
Freight wagons	10,419,712	11.70	9,691,987	12.19	7.51
MUs	21,523,549	24.18	20,981,268	26.39	2.58
Rapid transit vehicles	7,947,207	8.93	8,217,268	10.33	-3.29
New business	10,901,524	12.25	11,637,271	14.63	-6.32
Others	16,078,915	18.06	4,831,572	6.08	232.79
Total	89,019,449	100.00	79,516,958	100.00	11.95

558 locomotives were sold, representing a year-on-year decrease of 43.06%; revenue from locomotive segment decreased by 19.14% on a year-on-year basis, which was mainly attributable to a drop in customers' procurement resulting in reduced sales of locomotives.

2,189 ordinary passenger carriages were sold, representing a year-on-year decrease of 7.95%; revenue from the passenger carriage segment increased by 22.01% on a year-on- year basis, which was mainly attributable to the growth of sales in overseas market.

19,811 freight wagons were, representing a year-on-year increase of 1.06%; revenue from the freight wagon segment increased by 7.51% on a year-on-year basis, which was mainly attributable to the increases in the sales of freight wagons to the Ministry of Railways and exports.

960 MUs were sold, which basically leveled off with last year; revenue from the MU segment increased by 2.58% on a year-on-year basis, which was mainly attributable to the structural change in the variety of products.

947 rapid transit vehicles were sold, representing a year-on-year decrease of 11.74%; revenue from rapid transit vehicle segment decreased by 3.29% on a year-on-year basis, which was mainly attributable to the drop in product delivery and exports.

Revenue from new business segment decreased by 6.32% on a year-on-year basis, which was mainly attributable to decrease in overall revenue resulting from the dampened market under policy changes in the wind power industry. In 2012, revenue from wind power equipments amounted to RMB2.051 billion, representing a year-on-year decrease of 40.68%; revenue from construction machinery amounted to RMB2.415 billion representing a year-on-year increase of 25.11%; revenue from composite materials amounted to RMB1.922 billion, representing a year-on-year increase of 15.59%; while revenue from automobile equipments amounted to RMB1.466 billion, representing a year- on-year increase of 29.28%.

Other revenue includes revenue from modern logistics and businesses other than rolling stock business, representing a year-on-year increase of 232.79%. The increase in other revenue as compared to the previous year was primarily due to the expansion in modern logistics business.

(3) Analysis of orders

In 2012, CSR signed new orders of approximately RMB82.0 billion, with unfinished orders of approximately RMB78.0 billion at the end of the year, of which rolling stock products accounted for approximately 90%.

(4) Major suppliers and customers

In 2012, the procurement by CSR from its top five suppliers totalled RMB11,585.104 million, accounting for 17.65% of the total procurement for the year.

In 2012, the sales of CSR to its top five customers totalled RMB47,391.020 million, accounting for 53.24% of the total sales of CSR for the year. Such high degree of customer concentration was primarily attributable to CSR's sales to its biggest customer, namely the Ministry of Railways together with all railway bureaus, which accounted for 42.10% of the total sales for the year.

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

(5) Revenue breakdown by regions

For year 2012, revenue from CSR's operations by regions and the comparison with that of last year are set out in the following table:

	2012		2011		
Business segment	**Amount**	**Percentage**	**Amount**	**Percentage**	**Growth rate**
	(RMB'000)	*%*	*(RMB'000)*	*%*	*%*
Mainland China	80,540,502	90.48	73,410,945	92.32	9.71
Other countries or regions	8,478,947	9.52	6,106,013	7.68	38.86
Total	89,019,449	100.00	79,516,958	100.00	11.95

Revenue from domestic market of CSR increased by 9.71% as compared with that of last year whereas revenue from overseas market increased by 38.86% as compared with that of last year, which was primarily attributable to the active overseas market expansion and a notable increase in revenue generated from the delivery of inter-city MUs in overseas market.

2. ANALYSIS OF COST AND GROSS PROFIT MARGIN

For year 2012, consolidated gross profit of CSR and the comparison with that of last year are set out in the following table:

	2012	2011	
Item	**Amount**	**Amount**	**Growth rate**
	(RMB'000)	*(RMB'000)*	*%*
Revenue	89,019,449	79,516,958	11.95
Cost of sales	73,264,022	64,646,619	13.33
Gross profit	15,755,427	14,870,339	5.95
Gross profit margin	17.70%	18.70%	

In 2012, CSR's cost of sales increased by 13.33% on a year-on-year basis, amongst which the proportion of raw materials, labor costs, kinetic energy charges, depreciation and other major items to the total cost remained stable without significant changes. Consolidated gross profit margin of products was 17.7%, representing a year-on-year decrease of 1 percentage point, primarily due to a drop of gross profit margin caused by changes in revenue structure.

(II) COMPOSITION AND CHANGES OF MAJOR ASSETS AND LIABILITIES IN 2012.

1. Composition and changes of major assets in 2012

In 2012, CSR's assets were measured mainly by historical cost method and partly at fair value. Main items of statements measured at fair value were financial assets. There was no material change to the measurement basis of major assets during the reporting period.

The composition and year-on-year changes (in net value) of major assets as at 31 December 2012 are shown in the following table:

	2012		2011		
Item	**Amount**	**Percentage**	**Amount**	**Percentage**	**Growth rate**
	(RMB'000)	*%*	*(RMB'000)*	*%*	*%*
Total current assets	72,261,392	68.68	63,607,344	68.55	13.61
Of which: cash and cash equivalents	14,497,265	13.78	23,092,481	24.89	-37.22
Bills receivables	3,735,597	3.55	4,201,451	4.53	-11.09
Trade receivables	26,618,776	25.30	13,689,416	14.75	94.45
Prepayments, deposits and other receivables	8,058,186	7.66	4,061,678	4.38	98.4
Inventories	18,770,236	17.84	17,841,991	19.23	5.2
Total non-current assets	32,955,909	31.32	29,179,047	31.45	12.94
Of which: property, plant and equipment	22,970,563	21.83	21,374,331	23.04	7.47
Total assets	105,217,301	100.00	92,786,391	100.00	13.4

As at 31 December 2012, the ratio of current assets to total assets was 68.68%. The asset portfolio was contributed mainly by current assets and less by non-current assets. Such feature was mainly a result of the expansion of business scale and longer production cycle of the equipment manufacturing industry.

The currency capital was mainly cash and bank deposits. The currency capital as at 31 December 2012 decreased by 37.22% as compared with that as at the beginning of the year. This was mainly attributable to payment of some bank loans, bonds and short-term debentures. In relative terms, the currency capital accounted for 13.78% of the total assets as at 31 December 2012, representing a decrease of 11.11 percentage points from the beginning of the year.

The bills receivables were mainly bank acceptance bills and commercial acceptance bills. The bills receivables as at 31 December 2012 decreased by 11.09% as compared with that as at the beginning of the year, mainly attributable to the decrease in settlement by acceptance bills by customers. In relative terms, bills receivables accounted for 3.55% of the total assets as at 31 December 2012, representing a decrease of 0.98 percentage point from the beginning of the year.

The trade receivables were mainly contract receivables. In terms of absolute amount, the net trade receivables as at 31 December 2012 increased by 94.45% as compared with that as at the beginning of the year, mainly attributable to delayed payment by customers and the growth in receivables as a result of the expansion of the scope of sales revenue for the year. In relative terms, trade receivables accounted for 25.30% of the total assets as at 31 December 2012, representing an increase of 10.55 percentage points from the beginning of the year.

Inventories mainly include raw materials, work in progress, inventories of finished goods and entrusted processing materials. Net inventories as at 31 December 2012 increased by 5.20% as compared with that as at the beginning of the year, mainly due to the expansion in operation scale and increase in business volume. In relative terms, net inventories accounted for 17.84% of the total assets as at 31 December 2012, representing a decrease of 1.39 percentage points from the beginning of the year.

The property, plant and equipment as at 31 December 2012 increased by 7.47% as compared with that as at the beginning of the year. Such increase was mainly attributable to the increase in investment of property, plant and equipment as a result of the expansion of production capacity and upgrade of products and technologies by CSR. In relative terms, the net value of property, plant and equipment accounted for 21.83% of the total assets as at 31 December 2012, representing a decrease of 1.21 percentage points from the beginning of the year.

2. Composition and changes of major liabilities in 2012

The composition and year-on-year changes of major liabilities as at 31 December 2012 are shown in the following table:

	2012		2011		
Item	**Amount**	**Percentage**	**Amount**	**Percentage**	**Growth rate**
	(RMB'000)	*%*	*(RMB'000)*	*%*	*%*
Total current liabilities	61,538,414	93.66	59,184,932	91.48	3.98
Of which: interest-bearing bank and other borrowings	8,595,597	13.08	18,099,123	27.97	-52.51
Bills payables	12,948,103	19.71	6,616,548	10.23	95.69
Trade paybles	26,714,857	40.66	21,238,995	32.83	25.78
Other payables and accruals	11,929,561	18.16	11,979,765	18.52	-0.42
Total non-current liabilities	4,169,026	6.34	5,513,542	8.52	-24.39
Of which: interest-bearing bank and other borrowings	727,376	1.11	2,325,097	3.59	-68.72
Defined benefit obligations	1,437,450	2.19	1,569,030	2.43	-8.39
Total liabilities	65,707,440	100.00	64,698,474	100.00	1.56

As at 31 December 2012, the current liabilities accounted for 93.66% of the total liabilities. The structure of liabilities was featured by a high proportion of current liabilities, which echoed with the high proportion of current assets.

The short-term interest-bearing bank and other borrowings were mainly used for accommodating the needs for liquidity during its operation. The short-term interest-bearing bank and other borrowings as at 31 December 2012 decreased by 52.51% as compared with that as at the beginning of the year, primarily due to the repayment of some short-term bank borrowings. In relative terms, the proportion of short-term borrowings in the total liabilities was 13.08% as at 31 December 2012, representing a decrease of 14.89 percentage points as compared with that as at the beginning of the year.

The bills payable were mainly bills issued to suppliers for liquidity. In terms of the absolute amount, bills payable as at 31 December 2012 increased by 95.69% as compared with that as at the beginning of the year. Such increase was mainly attributable to the increase in the amount of procurement resulting from the expansion of business scale and increase in business volume and the increase in settlements by bills with its suppliers. In relative terms, the proportion of bills payable in the total liabilities was 19.71% as at 31 December 2012, representing an increase of 9.48 percentage points as compared with that as at the beginning of the year.

The trade payables were mainly outstanding amount payable to suppliers of raw materials and suppliers of machinery and equipment as well as construction payables. Trade payables as at 31 December 2012 increased by 25.78% as compared with that as at the beginning of the year. Such increase was mainly attributable to the increase in the amount of procurement resulting from the expansion of business scale and increase in business volume. In relative terms, the proportion of trade payables in total liabilities was 40.66% as at 31 December 2012, representing an increase of 7.83 percentage points as compared with that as at the beginning of the year.

Other payables and accruals as at 31 December 2012 basically leveled off as compared with that as at the beginning of the year. In relative terms, the proportion of other payables and accruals in total liabilities was 18.16% as at 31 December 2012, leveled off as compared with that as at the beginning of the year.

The long-term interest-bearing bank and other borrowings as at 31 December 2012 decreased by 68.72% as compared with that as at the beginning of the year, mainly attributable to the re-classification of the RMB2 billion mid-term notes into current liabilities due within one year.

As at 31 December 2012, the defined benefit obligations decreased by 8.39% from last year for payment reason and took up a lower proportion by 0.24 percentage point.

As at 31 December 2012, the financial leverage was 58.34%.

(III) MATERIAL CHANGES IN FINANCIAL FIGURES SUCH AS ADMINISTRATIVE EXPENSES IN 2012

In 2012, the financial figures such as administrative expenses of CSR and year-on-year changes thereof are shown in the following table:

Item	2012 Amount *(RMB'000)*	2011 Amount *(RMB'000)*	Growth rate *%*
Selling and distribution costs	3,152,751	2,734,686	15.29
Administrative expenses	7,687,561	7,017,068	9.56
Finance costs	764,356	993,739	-23.08
Share of profits and losses of associates and jointly-controlled entities	540,954	668,034	-19.02
Income tax expense	740,455	698,887	5.95

The selling and distribution expenses increased by 15.29% as compared with that of last year, which was mainly attributable to 1) the growth in service charge, sales commissions and intermediary fees in line with the expansion in operating scale and business scope; and 2) the growth in the total salary of sales persons as a result of the expansion of the sales department and the increase of sales persons.

The administrative expenses increased by 9.56% as compared with that of last year, mainly attributable to 1) the gradual increase in research and development expenses and 2) the increase in the salary of management, repair costs and depreciation fees as a result of the growth in operation scale and business volume.

The finance costs decreased by 23.08% as compared with that of last year, mainly attributable to the repayment of a large amount of borrowings and financing bonds by CSR, optimisation of the liability structure and the decrease in interest expense.

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

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

(IV) BREAKDOWN OF THE CASH FLOW IN 2012

In 2012, the cash flow of CSR and the year-on-year changes thereof are shown in the following table:

Item	2012 Amount *(RMB'000)*	2011 Amount *(RMB'000)*	Growth rate *%*
Net cash flows from operating activities	2,394,692	6,941,334	-65.50
Net cash flows from investing activities	-4,245,623	-7,543,123	-43.72
Net cash flows from financing activities	-5,672,474	8,897,660	—

The net cash flows from operating activities decreased by 65.50% over last year, representing a substantial difference as compared to the profit recorded for the year, which was mainly due to the increase of cash outflow from operating activities resulting from delayed payment by customers and the increase of trade receivables.

Net cash flows from investing activities recorded a smaller deficit by 43.72% over last year, which was mainly due to the decrease in cash payment for acquisition of fixed assets, intangible assets and other long-term assets.

Net cash outflows from financing activities were RMB5.672 billion, mainly because the amount of cash outflow from financing activities was larger than the amount of cash inflow from financing activities. The cash inflow from financing activities mainly comes from proceeds raised from non-public issuance of A shares and cash received from borrowings. Cash outflow from financing activities mainly comes from cash outflow arising from repayment of bank loans, bonds and short-term debentures.

(V) SIGNIFICANT CAPITAL EXPENSES IN 2012

The significant capital expenses of CSR in 2012 are set out in the following table:

Item	2012 Amount *(RMB million)*	2011 Amount *(RMB million)*
Property, plant and equipment	3,246	5,699
Prepaid land lease payments	280	507
Total capital expenses	3,526	6,206

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

(VI) PARTICULARS OF OPERATIONS OF PRINCIPAL SUBSIDIARIES AND MAJOR COMPANIES INVESTED (FIGURES BELOW ARE PREPARED UNDER THE PRC GAAP)

Unit: RMB'000

Name of subsidiary	Principal operations	Registered capital	Total assets as at the end of the year	Net assets attributable to owners of the parent as at the end of the year	Net profit attributable to owners of the parent for 2012	Revenue for 2012
CSR Zhuzhou	Research and development and manufacture of railway electric locomotives,	3,994,296	16,545,604	4,505,717	668,383	15,161,415
CSR Sifang	MUs and rapid transit vehicles Research and development and manufacture of railway MUs, passenger carriages and rapid transit vehicles; provision of maintenance services of railway MUs and high-end passenger carriages	4,003,794	20,111,437	5,582,605	1,608,558	24,050,951
CSR ZELRI	Research and development and manufacture of railway electric powered motors and control technology and related electric equipment; research and development and manufacture of railway vehicle accessories	2,982,900	20,982,392	4,895,115	493,245	14,122,999
CSR Yangtze	Research and development, manufacture and maintenance of railway freight wagons	2,372,869	5,776,824	2,314,718	55,491	5,658,908
CSR Qishuyan	Research and development, manufacture and maintenance of railway diesel locomotives	961,393	4,584,927	1,242,012	42,670	4,010,816

Unit: RMB'000

Name of the investee company	Principal business scope	Net profit	Investment income from the investee company	Percentage of net profit of CSR (attributable to the parent) *(%)*
BST	Production of transit vehicles	777,035	413,818	10.32

BST was established on 27 November 1998 (registered address: No.86 East Jinhong Rd, Chengyang District, Qingdao, Shandong Province), which is a 50-50 Chinese-foreign joint venture established by CSR Sifang Ltd. and Bombardier to engage in the production of transit vehicles. Its business scope mainly includes: the design and production of high-end passenger carriages, ordinary passenger carriages, electric MUs, luxury double-decker passenger carriages, high-speed passenger carriages and rapid transit vehicles and bogies, sales of self-produced products and provision of relevant after-sales services. In 2012, BST recorded revenue, profit from operation and net profit amounting to RMB4,377.344 million, RMB886.110 million, and RMB777.035 million, respectively.

(VII) ASSETS MEASURED AT FAIR VALUE

Unit: RMB'000

Item	Amount at the beginning of the period	Gain or loss from changes of fair value during the period	Accumulated changes in fair value recognized in equity	Provision for impairment for the period	Other changes during the period	Amount at the end of the period
Financial assets						
Of which:						
1. Financial assets at fair value through profit and loss	11,861	-1,221	—	—	-3,294	7,346
2. derivative financial instruments	35,774	-33,531	—	—	—	2,243
3. available-for-sale investment	244,204	—	-99,940	—	349,289	493,553
Sub-total of financial assets	291,839	-34,752	-99,940	—	345,995	503,142
Financial liabilities						
Sub-total of financial liabilities	—	—	—	—	—	—

(VIII) FINANCIAL ASSETS AND FINANCIAL LIABILITIES IN FOREIGN CURRENCIES

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

Unit: RMB'000

Item	Amount at the beginning of the period	Gain or loss from changes of fair value during the period	Accumulated changes in fair value recognized in equity	Provision for impairment for the period	Other changes during the period	Amount at the end of the period
Financial assets of which:						
1. financial assets at fair value through profit or loss derivative financial instruments	8,561	-1,221	—	—	6	7,346
2. loans and other receivables	1,191,955	—	—	—	1,952,865	3,144,820
3. available-for-sale investment	242,108	—	-100,386	—	349,288	491,010
4. investment held to maturity	—	—	—	—	—	—
Sub-total of financial assets	1,422,624	-1,221	-100,386	—	2,302,159	3,643,176
Financial liabilities	1,292,403	—	—	—	197,438	1,489,841
Sub-total of financial liabilities						

(IX) PARTICULARS OF PLEDGE OF ASSETS

As at 31 December 2012, the following assets of CSR were pledged to secure bank loans:

Item	Amount *(RMB'000)*
Property, plant and equipment	99,142
Prepaid land lease payment	31,063
Time deposits and bank balances	—
Inventories	—
Trade receivables	14,901
Bills receivable	600
Total	145,706

(X) PARTICULARS OF CONTINGENT LIABILITIES

CSR Group did not have any contingent liabilities in 2012.

(XI) STAFF

1. Staff information

Total number of staff with the parent	143
Total number of staff with subsidiaries	85,038
Total number of staff	85,181
Number of employee whose retirement expenses are borne by the parent and the subsidiaries	51,897

2. Remuneration policies

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

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

The amount of staff costs (including directors', supervisors' and chief executive's remuneration, wages and salaries, and other employees' benefits) in 2012 was RMB7,839,034 thousand.

3. Personnel Training

In 2012, pursuant to "Key Points on CSR Staff Training 2012", CSR continued to carry out "CSR's Twelfth Five Year Personnel Development Scheme", to give prominence to innovativeness, proactiveness, pertinence, and effectiveness on talent cultivation. CSR strengthened its training program system and trainer base and at the same time speed up the progress by pioneering new training projects and advancing innovative training mode for managerial, technological, technical levels of core personnel building. During the year, CSR focused on organizing and implementing overseas training programs for mid- high level professional managers and core talents, as well as talents internationalization programs, which aimed to cultivate mid-high level managers with global visions. During the year, CSR held 20 training programs, 33 sessions, with a total of 1,315 personnel trained. In 2012, trained personnel totalled at approximately 207,500, of which approximately 33,100 were management personnel, approximately 17,000 were professional technologists, while approximately 157,400 were technical personnel. In all, thoroughly and orderly implementing personnel training work has provided talent support for CSR's rapid growing.

ANALYSIS ON INVESTMENT

(I) GENERAL ANALYSIS OF EXTERNAL INVESTMENT IN EQUITY

In 2012, CSR's external investment in equity was RMB5.754 billion, representing an increase of RMB5.264 billion over the same period last year, mainly attributable to the capital increase in CSR Sifang, CSR Leasing, CSR Zhuzhou and CSR Puzhen and the establishment of CSR Finance and CSR Australia. Particulars of the investee companies are as follows:

Name of the investee	Principal business	Percentage in the equity of the investee *(%)*	Investment form
CSR Zhuzhou	Research and development and manufacture of rolling stock and revelant components	100.00	Capital increase
CSR Sifang	Design, manufacturing, refurbishment, sales, and leasing of locomotives,passenger carriages, high-speed MUs and rapid transit vehicles	97.81	Capital increase
CSR ZELRI	Research and development and manufacture of railway electric powered motors and control technology and related electric equipment; research and development and manufacture of railway vehicle accessories	100.00	Capital increase
CSR Yangtze	Research and development, manufacture and maintenance of railway freight wagons	100.00	Capital increase
CSR Qishuyan Institute	Research and development, design, manufacture, sales, refurbishment and leasing of the railway transportation equipments, engineering machinery, transmission device, electronics, plastics, metal works, mechanical equipment and components for the above-mentioned products	100.00	Capital increase
CSR Puzhen	Research and development, manufacture and refurbishment ofrolling stock vehicles such as passenger carriages and MUs	100.00	Capital increase
CSR Ziyang	Design, manufacture, sales and leasing of railway rolling stock and internal combustion engines	99.61	Capital increase
CSR Electric	Research and development, manufacture, sales of rolling stock such as traction electric machinery and transformers	100.00	Capital increase

Name of the investee	Principal business	Percentage in the equity of the investee *(%)*	Investment form
CSR Luoyang	Maintenance of rolling stock, construction and refurbishment of engineering machinery (excluding those specifically stipulated by the state) and the manufacture of components for rolling stock	100.00	Capital increase
CSR Leasing	Investment and development of rolling stock projects, leasing, refurbishment and technical services for railway locomotives and subway cars	100.00	Capital increase
CSR Meishan	Research and development, manufacture, sales, import and export of railway freight wagons and brakes	100.00	Capital increase
CSR Guangji	Manufacture, refurbishment and technical services for electric locomotives and railway traction equipments	40.00	Capital increase
CSR Finance	Provision of deposits, loans and other financial services for other subsidiaries and provision of interbank loans	91.00	Establishment
CSR Australia	Trade and after-sales services	100.00	Establishment

1. Securities investment

No	Stock Variety	Stock Code	Stock Short Name	Initial Investment Amount *(HKD)*	Number of Shares held *(share)*	Carrying Amount at the End of the Reporting Period *(HKD)*	Percentage in Securities Investment at the End of the Period *(%)*	Cash or Loss Occurred during the Reporting Period *(HKD)*
1	Shares	01618.HK	MCC	38,484,429	6,000,000	9,060,000	100	-1,500,000

2. Equity interests in other listed companies held by CSR

Stock Code	Stock short Name	Initial Investment Amount	Percentage in the Share Capital of CSR Invested (%)	Carrying Amount at the End of the Reporting Period	Cash or Loss Occurred during the Reporting Period	Changes in Owner's Equity during the Reporting Period	Accounting Items	Source of Equity Interest
601328	Bank of Communication	RMB752,324	–	RMB2,542,835	–	RMB446,424	Available-for-sale Investments	Purchase
00958.HK	HN Renewables	HKD392,774,658	1.84	HKD214,647,960	–	HKD-83,992,680		Purchase
00816.HK	Huadian Fuxin	HKD391,868,516	3.08	HKD345,635,220	–	HKD-38,604,802		Purchase
01829.HK	CMEC	HKD38,802,829	–	HKD45,245,040	–	HKD6,829,440		Purchase

Notes:

1. The equity interests held by CSR represent less than 1% of the share capital of Bank of Communications and CMEC, respectively.

2. In March 2013, CSR reduced its shareholding in Huadian Fuxin by 125,526,000 shares at an average price of HK$2.047 per share and made a profit of approximately HK$47,270,000 from the transaction. After the reduction in its shareholding, CSR still holds 109,600,000 shares of Huadian Fuxin.

3. Equity interests in non-listed financial enterprises

Name of Institution	Initial Investment Amount (RMB)	Number of shares held (Share)	Percentage in the share capital of CSR Invested (%)	Carrying Amount at the end of the period (RMB)	Gain or loss Ocurred during the Reporting Period (RMB)	Changes in Owner's Equity the Reporting Period (RMB)	Accounting Items	Source of Equity Interest
Jiangsu Bank	74,400	74,400	–	74,400	5,952	–	Available-for-sale investment	Purchase
Huarong Xiangjiang Bank Corporation Limited	770,000	700,000	–	550,000	37,800	–		Purchase
Donghai Securities Co., Ltd	19,483,800	20,000,000	1.2	19,483,800	–	–		Purchase

Note: CSR's equity interests in Jiangsu Bank and HuarongXiangjiang Bank Corporation Limited represent less than 1% of their respective share capital.

(II) ENTRUSTED INVESTMENT AND INVESTMENT IN DERIVATIVES

1. Entrusted investment

CSR did not make any major entrusted investment or entrusted loans in 2012. For derivatives of CSR, please see the below table:

	Group	
	2012	**2011**
	RMB'000	*RMB'000*
Forward currency contracts	2,243	35,774

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

CSR Meishan Co., Ltd., a subsidiary of CSR, has entered into five forward currency contracts to manage its exchange rate exposure. The forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The forward currency contracts, held in 2011 by CSR Zhuzhou Electric Locomotive Co., Ltd. and CSR Qingdao Sifang Co., Ltd., were settled in 2012.

(III) USE OF PROCEEDS

1. Use of proceeds raised from H share offering

In 2008, CSR raised an aggregate of proceeds of HK$4.784 billion from the H share offering. Actual capital received amounted to HK$4.647 billion after netting off relevant issuing expenses. As at 31 December 2012, a total of approximately HK$4.713 billion of proceeds raised from the H share offering were used (including HK$0.39 billion used as capital contribution to CSR Hong Kong), and an aggregate of HK$66 million of interest from bank deposits had been received. In 2012, approximately HK$50 million of such proceeds was used to acquire critical components which would facilitate the domestic production of complete rolling stock units. As at 31 December 2012, the balance of proceeds raised from the H share offering in the designated proceeds account of CSR was zero.

2. Use of proceeds raised from A share offering

Year	Means	Total amount Of proceeds	Total amount of proceeds used during the year	Total accumulated amount of the proceeds used	Total amount of remaining proceeds	Used and purpose of the remaining proceeds
2008	Initial public offering	654,000	—	654,000	—	—
2012	Non-public issue	875,498	512,609	512,609	364,577	RMB3,639 million was used to temporarily supplement the working capital
Total		1,529,498	512,609	1,166,609	364,577	

(IV) MAJOR ACQUISITION OR DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES

In 2012, CSR did not have any major acquisition or disposal of subsidiaries or associated companies.

On 29 February 2012, Zhuzhou National Engineering Research Center of Converters Co., Ltd., a subsidiary of CSR, acquired 78% equity interest in ShangHai CSR Hange Shipping Engineering Technology Co., Ltd. ("CSR Hange"), which is mainly engaged in the manufacture and sale of marine electrical propulsion systems, from third parties at a cash consideration of RMB38,840,000.

On 31 July 2012, CSR Zhuzhou Electric Locomotive Co., Ltd., a subsidiary of CSR, acquired 59% equity interest in Henan CSR Heavy Equipment Manufacturing Co., Ltd. ("Henan Heavy Equipment"), which is mainly engaged in coal mining, from third parties at a cash consideration of RMB91,286,000.

On 31 August 2012, CSR Zhuzhou Electric Locomotive Co., Ltd., a subsidiary of CSR, acquired 80% equity interest in Inner Mongolia CSR Electric Co., Ltd. ("Inner Mongolia Electric"), which is mainly engaged in the manufacture and sale of wind turbines, from a third party at a cash consideration of RMB149,576,000.

On 4 January 2012, CSR Beijing Times Locomotive And Rolling Stock Machinery Co., Ltd., a subsidiary of CSR, acquired 100% equity interest in Xiangfan CSR Special Purpose Automobile Co., Ltd. ("Xiangfan CSR"), which is mainly engaged in the manufacture and sale of special purpose automobiles, from third parties at a cash consideration of RMB18,008,000.

For the year ended 31 December 2011

The management discussion and analysis below about CSR Group's financial status and operating performance are extracted from the annual report of CSR for the year ended 31 December 2011.

ANALYSIS OF FINANCIAL STATEMENTS

1. Operation status

(1) Revenue breakdown by business segments

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

	2011		2010		
Business segment	**Amount**	**Percentage**	**Amount**	**Percentage**	**Growth rate**
	(RMB'000)	*%*	*(RMB'000)*	*%*	*%*
Locomotives	17,803,400	22.39	18,062,445	28.16	-1.43
Passenger carriages	6,354,192	7.99	4,220,184	6.58	50.57
Freight wagons	9,691,987	12.19	7,263,002	11.33	33.44
MUs	20,981,268	26.39	14,627,544	22.81	43.44
Rapid transit vehicles	8,217,268	10.33	7,174,978	11.19	14.53
New Businesses	11,637,271	14.63	8,607,426	13.42	35.2
Others	4,831,572	6.08	4,176,820	6.51	15.68
Total	79,516,958	100.00	64,132,399	100.00	23.99

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

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

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

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

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

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

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

(2) Revenue breakdown by regions

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

	2011		2010		
Business segment	**Amount**	**Percentage**	**Amount**	**Percentage**	**Growth rate**
	(RMB'000)	*%*	*(RMB'000)*	*%*	*%*
Domestic market	73,410,945	92.32	61,795,118	96.36	18.8
Overseas market	6,106,013	7.68	2,337,281	3.64	161.24
Total	79,516,958	100.00	64,132,399	100.00	23.99

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

(3) Analysis of gross profit and gross profit margin

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

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

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

(4) Major suppliers and customers

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

In 2011, the sales of CSR to its top five customers totalled RMB48,025.854 million, accounting for 60.40% of the total sales for the year. Such high degree of customer concentration was primarily attributable to CSR's sales to its biggest customer, namely the Ministry of Railways together with all railway bureaus, which accounted for 55.16% of the total sales for the year. None of the Directors or its associates or any shareholders holding more than 5% of the equity interests in CSR have any interests in the above mentioned suppliers or customers.

2. Composition and changes of major assets and liabilities in 2011 during the reporting period.

(1) Composition and changes of major assets in 2011 during the reporting period

In 2011, CSR's assets were mainly measured by historical cost method and partly at fair value. Main items of statements which were measured at fair value included financial assets. There were no material changes to the measurement basis of major assets during the reporting period.

The composition and year-on-year changes (in net value) of major assets as at 31 December 2011 are shown in the following table:

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

As at 31 December 2011, the ratio of current assets to total assets was 68.55%. The asset portfolio of CSR was contributed mainly by current assets and less by non-current assets. Such feature was mainly a result of the expansion of business scale and longer production cycle in the operation of the equipment manufacturing industry.

The balance of cash and cash equivalents was relatively significant. The cash and cash equivalents of CSR as at 31 December 2011 increased by 67.56% as compared with that as at the beginning of the year. This was mainly attributable to 1) the need of sustaining a moderate amount of cash and cash equivalents by the end of the year to meet the growing capital needs in respect of production and operation at the beginning of the following year, and 2) a higher balance of CSR Group's cash and cash equivalents as at the end of year as a result of the sudden recovery of trade receivables while late repayment of short- term borrowings. In relative terms, CSR Group's cash and cash equivalents accounted for 24.89% of total assets as at 31 December 2011, representing an increase of 6.21 percentage points from the beginning of the year.

The bills receivables were mainly bank acceptance bills and commercial acceptance bills. The bills receivable as at 31 December 2011 increased by 144.14% as compared with that as at the beginning of the year, mainly attributable to the increase in settlement by means of acceptance bills due to tightened liquidity of customers under the marco-control policy of the State. In relative terms, bills receivables as a percentage of total assets was 4.53% as at 31 December 2011, representing an increase of 2.2 percentage points from the beginning of the year.

The trade receivables were mainly contract receivables. The net trade receivables as at 31 December 2011 increased by 22.45% as compared with that as at the beginning of the year, mainly attributable to the growth in trade receivables as a result of the increase in sales revenue for the year. In relative terms, trade receivable as a percentage of total assets was 14.75% as at 31 December 2011, representing a decrease of 0.41 percentage points from the beginning of the year.

Inventories mainly include raw materials, work in progress and inventories of finished goods. Net inventories as at 31 December 2011 levelled off as compared with that as at the beginning of the year, mainly due to the strengthened effort in lean production which has successfully brought inventories under control. In relative terms, net inventories accounted for 19.23% of total assets as 31 December 2011, representing a decrease of 4.89 percentage points from the beginning of the year.

The property, plant and equipment as at 31 December 2011 increased by 24.99% as compared with that at the beginning of the year. Such increase was mainly attributable to the increase in investment of property, plant and equipment as a result of the expansion of production capacity and upgrade of products and technologies. In relative terms, the net value of property, plant and equipment of CSR accounted for 23.04% of the total assets as at 31 December 2011, representing a decrease of 0.14 percentage points from the beginning of the year.

(2) Composition and changes of major liabilities in 2011

The composition and year-on-year changes of major liabilities as at 31 December 2011 are shown in the following table:

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

As at 31 December 2011, the current liabilities accounted for 91.48% of the total liabilities. The structure of liabilities was featured by a high proportion of current liabilities, which echoed with the high proportion of current assets.

The short-term interest-bearing bank and other borrowings were mainly used for accommodating the needs for liquidity during its operation. The short-term interest-bearing bank and other borrowings as at 31 December 2011 increased by 211.37% as compared with that as at the beginning of the year, primarily due to 1) the increase in short-term interest bearing bank and other borrowings for the purpose of securing capital for production and operation at the middle of the year, as a result of the deferred recovery of capital from major customers under the macro-control policy of the State; and 2) the late repayment of bank borrowings resulting from the concentrated recoveries of receivables at the end of the year. In relative terms, the proportion of short-term interest-bearing bank and other borrowings among the total liabilities was 27.97% as at 31 December 2011, representing an increase of 16.32 percentage points as compared with that as at the beginning of the year.

The trade payables were mainly outstanding amount payable to suppliers of raw materials and suppliers of machinery and equipment as well as construction payables. Trade payables as at 31 December 2011 increased by 17.71% as compared with that as at the beginning of the year. Such increase was mainly attributable to the corresponding increase in payables arising from the expansion of business scale, the increase in business volume and the increase in the amount of procurement of CSR. In relevant terms, the proportion of trade payables in total liabilities was 32.83% as at 31 December 2011, representing a decrease of 3.34 percentage points as compared with that as at the beginning of the year.

Other payables and accruals as at 31 December 2011 increased by 7.62% as compared with that as at the beginning of the year, mainly due to the corresponding increase in other payables arising from the expansion of business scale, the increase in business volume and the increase in the amount of procurement of CSR. In relevant terms, the proportion of other payables and accruals in total liabilities of CSR was 18.52% as at 31 December 2011, representing a decrease of 3.79 percentage points as compared with that as at the beginning of the year.

The long-term interest-bearing bank and other borrowings as at 31 December 2011 decreased by 44.69% as compared with that as at the beginning of the year, mainly attributable to the re-classification of the RMB2 billion mid-term notes into current liabilities due within one year.

As at 31 December 2011, the defined benefit obligations decreased by 11.63% from last year for payment reason and took up a lower proportion by 1.13 percentage points.

As at 31 December 2011, the financial leverage was 62%.

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

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

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

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

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

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

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

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

4. Breakdown of cash flow during the reporting period

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

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

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

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

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

5. Significant capital expenses in the reporting period

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

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

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

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

Unit: RMB'000

Name of subsidiary	Principal operations	Registered capital	Total assets as at the end of the year	Net assets attributable to owners of the parent as at the end of the year	Net profit attributable to owners of the parent for 2011	Revenue in 2011
CSR Zhuzhou	Research and development and manufacture of railway electric locomotives, MUs and rapid transit vehicles	3,474,026	12,680,739	3,885,138	336,181	14,059,189
CSR Sifang	Research and development and manufacture of railway MUs, passenger carriages and rapid transit vehicles; provision of maintenance services of railway Mus and high-end passenger carriages	3,157,264	18,078,501	4,086,849	1,440,832	23,979,769
CSR ZELRI	Research and development and manufacture of railway electric powered motors and control technology and related electric equipment; research and development and manufacture of railway vehicle accessories	2,436,710	18,576,039	3,896,810	607,686	14,117,746
CSR Yangtze	Research and development, manufacture and maintenance of railway freight wagons	2,169,809	5,697,493	2,047,362	144,801	5,039,417
CSR Qishuyan	Research and development, manufacture and maintenance of railway diesel locomotives	961,393	3,354,689	1,212,686	192,746	5,334,753

Unit: RMB'000

Name of the investee company	Principal business scope	Net profit	Investment income from the investee company	Percentage of net profit of CSR (attributable to the parent) *(%)*
BST	Production of transit vehicles	1,204,213	584,043	15.11

BST was established on 27 November 1998 (registered address: No.86 East Jinhong Rd, Chengyang District, Qingdao), which is a 50-50 Chinese-foreign joint venture established by CSR Sifang Ltd. and Bombardier to engage in the production of transit vehicles. Its business scope mainly includes: the design and production of high-end passenger carriages, ordinary passenger carriages, electric MUs, luxury double-decker passenger carriages, high-speed passenger carriages and rapid transit vehicles and bogies, sales of self-produced products and provision of relevant after-sales services. In 2011, Qingdao BST Company mainly sold 22 eight-carriage MUs with speed of 250km/h, with revenue, profit from operation and net profit amounting to RMB4,258.427 million, RMB1,340.560 million and RMB1,204.213 thousand, respectively.

7. Assets in relation to fair value measurement

Unit: RMB'000

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

8. Financial assets and financial liabilities in foreign currencies

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

Unit: RMB'000

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

9. Particulars of pledge of assets

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

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

10. Particulars of contingent liabilities

CSR did not have any other contingent liabilities in 2011.

11. Staff

As at the end of 31 December 2011, the overall condition of staff is as follows:

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

Note: These retirees have been included in the actuarial scope, cost has been reserved. Actuarial welfare spending was accrued one-time debt provision during restructuring and had little impact on the profit and loss.

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

The Amount of staff costs (including directors' and supervisors' remuneration wages, salaries and other employees' benefits) in 2011 was RMB6,966,000 thousand.

INVESTMENTS

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

In 2011, CSR's investment projects not funded by proceeds from the share offerings amounted to RMB4,019 million, mainly including enhancement of industrialisation of Times Electric converters, the construction of Tianjin rapid transit vehicle base, the overall relocation from urban area to the suburb of CSR Shijiazhuang, Upgrade & Expansion of Air-conditioning Units of ShijiazhangGuoxiang Company, ZELRI's Industrialisation of Complete Wind Power Generating Units In Tianjin, ZTNM's Tianjin wind power blade industrialisation and capacity expansion project for polymeric shock-absorbing and noise reducing springs.

(2) Entrusted Investment and Entrusted Loans

In 2011, CSR did not entrust any major investment or have any entrusted loans.

(3) Major acquisition or disposal of subsidiaries or associated companies

In 2011, CSR did not have any major acquisition or disposal of subsidiaries or associated companies.

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

MANAGEMENT DISCUSSION AND ANALYSIS OF THE CNR GROUP

Set out below is the management discussion and analysis of the CNR Group for each of the years ended 31 December 2011, 2012 and 2013 as extracted from the prospectus of CNR dated 12 May 2014 and for the six months ended 30 June 2014 as extracted from the interim report of CNR. The financial data in respect of the CNR Group, for the purpose of this circular, is derived from the audited consolidated financial statements of CNR for the years ended 31 December 2011, 2012 and 2013 and the unaudited consolidated financial statements of CNR for the six months ended 30 June 2014.

A. MANAGEMENT DISCUSSION AND ANALYSIS OF THE CNR GROUP

DESCRIPTION OF SELECTED COMPONENTS OF THE INCOME STATEMENTS OF THE CNR GROUP

Revenue

CNR Group generates the revenue primarily from the following products and services:

(i) manufacturing and refurbishment of rolling stock products, including high-speed MUs, locomotives, passenger coaches, freight wagons, rapid transit vehicles and railway engineering machinery and equipment and core system and components of rolling stock;

(ii) manufacturing of mechanical and electric products, mainly including motors and gearboxes for oil drilling machinery, mining machinery and metallurgical machinery and electric components, such as IGBT module;

(iii) modern service business, mainly including finance leasing of rolling stock and machines and equipment, project management contracting services for urban rail and other related projects and trading of raw materials; and

(iv) emerging industry business, mainly including production of wind power generation equipment, electric buses, clean energy, energy conservation and environmental protection equipment as well as enterprise resource planning service and other information technology services.

Revenue by product or business type

For the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014, the revenue of the CNR Group was RMB88,810.8 million, RMB91,798.2 million, RMB96,756.1 million, and RMB38,654.4 million respectively.

The following table sets forth a breakdown of the revenue of the CNR Group by product or business type for the periods indicated:

	Year ended 31 December						Six months ended	
	2011		2012		2013		30 June 2014	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)	
Manufacturing and refurbishment of rolling stock products	70,417,880	79.3	66,466,340	72.4	68,003,949	70.3	29,097,668	75.3
Manufacturing of mechanical and electric products	1,314,461	1.5	2,251,854	2.5	1,793,503	1.9	617,789	1.6
Modern service business	14,914,992	16.8	20,241,171	22.0	22,806,107	23.5	7,269,849	18.8
Emerging industry business	2,163,493	2.4	2,838,873	3.1	4,152,511	4.3	1,669,117	4.3
Total revenue	88,810,826	100.0	91,798,238	100.0	96,756,070	100.0	38,654,423	100.0

Revenue by geographical location

CNR Group currently exports its products to over 80 countries and regions in Oceania, Southeast Asia, Latin America, Central Asia, South Asia, the Middle East, Africa, Europe and North America.

For the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014, the revenue generated from the CNR Group's overseas sales amounted to approximately RMB6,271.5 million, RMB9,630.5 million, RMB7,576.2 million, and RMB2,315.1 million respectively, representing approximately 7.1%, 10.5%, 7.8% and 6.0% of the revenue, respectively.

The revenue from overseas sales increased from 2011 to 2012 primarily as a result of the growing international presence and increased exported sales of the products of the CNR Group. Revenue from domestic sales remained relatively stable in 2011 and 2012. Revenue from overseas sales decreased from 2012 to 2013 primarily due to the decrease in number of overseas purchase orders that CNR Group delivered as scheduled in 2013 as compared to 2012.

For the six months ended 30 June 2014, the revenue of the domestic market of the CNR Group increased by 10.4%, while the revenue of the overseas market fell down by 39.6%. The increase in revenue of the domestic market was mainly due to the increase in investment in railways, resulting in the growth in the demand for rolling stock equipment. The decrease in revenue of overseas market was mainly due to decrease in number of transactions of exported products.

The following table sets forth a breakdown of the domestic revenue and overseas revenue for the periods indicated:

Unit: RMB'000

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
				(unaudited)	*(unaudited)*
Domestic revenue	82,539,355	82,167,704	89,179,841	32,911,206	36,339,369
Overseas revenue	6,271,471	9,630,534	7,576,229	3,832,333	2,315,054
Total	88,810,826	91,798,238	96,756,070	36,743,539	38,654,423

Cost of Sales

The cost of sales of the CNR Group consists principally of raw materials and components, staff costs, depreciation and amortization expenses and operating lease charges.

For the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014, the cost of sales was RMB77,091.0 million, RMB78,706.7 million, RMB80,103.4 million, and RMB31,089.6 million respectively. The following table sets forth a breakdown of the cost of sales of the CNR Group by business type for the periods indicated:

Unit: RMB'000

	Year ended 31 December			Six months ended 30 June
	2011	**2012**	**2013**	**2014**
				(unaudited)
Manufacturing and refurbishment of rolling stock products	60,351,568	55,322,023	54,048,378	22,710,544
Manufacturing of mechanical and electric products	939,738	1,834,204	1,475,163	468,821
Modern service business	14,134,402	19,285,110	21,176,885	6,509,691
Emerging industry business	1,665,247	2,265,409	3,402,967	1,400,516
Total cost of sales	77,090,955	78,706,746	80,103,393	31,089,572

Gross Profit and Gross Profit Margin

For the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014, the gross profit of the CNR Group was RMB11,719.9 million, RMB13,091.5 million, RMB16,652.7 million, and RMB7,564.9 million respectively, and the gross profit margin was 13.2%, 14.3%, 17.2% and 19.6%, respectively.

The following table sets forth a breakdown of the gross profit of the CNR Group by business type for the periods indicated:

	Year ended 31 December						Six months ended	
	2011		2012		2013		30 June 2014	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)	
Manufacturing and refurbishment of rolling stock products	10,066,312	85.9	11,144,317	85.1	13,955,571	83.8	6,387,124	84.4
Manufacturing of mechanical and electric products	374,723	3.2	417,650	3.2	318,340	1.9	148,968	2.0
Modern service business	780,590	6.7	956,061	7.3	1,629,222	9.8	760,158	10.0
Emerging industry business	498,246	4.2	573,464	4.4	749,544	4.5	268,601	3.6
Total gross profit	11,719,871	100.0	13,091,492	100.0	16,652,677	100.0	7,564,851	100.0

The following table sets forth a breakdown of the gross profit margin of the CNR Group by business type for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2011	2012	2013	2014
				(unaudited)
Manufacturing and refurbishment of rolling stock products	14.3%	16.8%	20.5%	22.0%
Manufacturing of mechanical and electric products	28.5%	18.5%	17.7%	24.1%
Modern service business	5.2%	4.7%	7.1%	10.5%
Emerging industry business	23.0%	20.2%	18.1%	16.1%
Overall gross profit margin	13.2%	14.3%	17.2%	19.6%

For the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014, the gross profit margin of the CNR Group's manufacturing and refurbishment of rolling stock products increased steadily primarily due to effective control of the cost of raw materials and components as the product technology level and independent development rate of core system and key components improved. The CNR Group's manufacturing of mechanical and electric products has relatively higher gross profit margin than most of the other products and services because they have many spare parts and components which have relatively higher added value and cover a wide variety of categories. There were relatively higher fluctuations in the gross profit margin of the mechanical and electric products and emerging industry business due to sales of different types of products with different product margin and changes in market demand. The CNR Group's modern service business has relatively lower gross profit margin due to the nature of the trading of raw material business.

Other Revenue

The other revenue consists principally of government grants, interest income and dividend income.

For the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014, the other revenue were RMB609.9 million, RMB697.8 million, RMB583.8 million, and RMB350.0 million respectively.

Other Net Loss

The other net loss consists principally of net foreign exchange loss and net loss on disposal of property, plant and equipment.

For the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014, the other net loss were RMB128.5 million, RMB60.8 million, RMB230.7 million, and RMB106.9 million respectively.

Selling and Distribution Expenses

The selling and distribution expenses consist principally of sales services fee, transportation costs and staff cost and other expenses such as installation and packaging fees.

For the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014, the selling and distribution expenses were RMB1,468.9 million, RMB1,723.0 million, RMB2,018.1 million, and RMB756.2 million respectively.

Administrative Expenses

The administrative expenses consist principally of research and development expenses, staff costs, repair costs and taxes.

For the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014, the administrative expenses were RMB6,075.0 million, RMB6,875.7 million, RMB8,783.8 million, and RMB3,551.4 million respectively.

Finance Costs

The finance costs consist principally of interest expenses on bank loans and borrowings.

For the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014, the finance costs were RMB1,247.5 million, RMB1,181.0 million, RMB1,395.4 million, and RMB750.2 million respectively.

RESULTS OF OPERATIONS

Six Months Ended 30 June 2014 Compared to Six Months Ended 30 June 2013

Revenue

For the six months ended 30 June 2014, the CNR Group recorded revenue of RMB38,654.4 million, representing an increase of 5.2% as compared with the corresponding period of the previous year, mainly due to the increase in the number of transactions of major products and growth in realized revenue.

The revenue of the CNR Group's rolling stock business, general mechanical and electrical business, modern service business and emerging industry business accounted for 75.3%, 1.6%, 18.8% and 4.3% of total revenue, respectively.

The revenue of rolling stock business increased by 18.9% when compared with the corresponding period of the previous year, mainly due to the increase in revenue resulting from the increase in orders in the railway market during the period.

The revenue of general mechanical and electrical business increased by 8.4% when compared with the corresponding period of the previous year, mainly due to the increase in sales volumes of the ancillary components of the mechanical, electrical and electronic products owing to the turnaround of railway market.

The revenue of modern service business decreased by 28.8% when compared with the corresponding period of the previous year, mainly due to the fact that CNR Group had curtailed the scale of businesses with low gross profit margin.

The revenue of emerging industry business increased by 10.8% when compared with the corresponding period of the previous year, mainly due to the emergence of wind power business and energy conservation business.

Cost of sales

For the six months ended 30 June 2014, the cost of sales of the CNR Group amounted to RMB31,089.6 million, representing an increase of 1.9% as compared with the corresponding period of the previous year, mainly because the increase in cost of sales was of a smaller extent than the increase in revenue attributable to factors such as the breakthrough in core technology, implementation of management enhancement initiatives and differentiation of product structure.

Gross profit and gross profit margin

The CNR Group's gross profit for the six months ended 30 June 2014 amounted to RMB7,564.9 million. The gross profit margin increased from 17.0% for the six months ended 30 June 2013 to 19.6% for the six months ended 30 June 2014. The increase of the gross profit margin was primarily attributable to (i) an increase in the gross profit margin of the manufacture and refurbishment of the CNR Group's rolling stock and (ii) change in the product mix which increased the sale of the products with higher gross profit margin.

Other revenue

The other revenue increased by RMB217.8 million, or 164.8%, from RMB132.2 million for the six months ended 30 June 2013 to RMB350.0 million for the six months ended 30 June 2014. The increase was primarily due to un-earned financial income of the long-term receivable from "Shenyang Hunnan new District Modern Tram Project" recognized in profit or loss amounting to RMB145.0 million for the period ended 30 June 2014.

Other net loss

The other net loss increased by RMB43.4 million, or 68.3%, from RMB63.5 million for the six months ended 30 June 2013 to RMB106.9 million for the six months ended 30 June 2014. The increase in other net loss was primarily attributable to the increases in the provision of onerous contracts of the CNR Group, the amount of which increased by RMB106.8 million as compared with the corresponding period of previous year.

Selling and distribution expenses

For the six months ended 30 June 2014, the selling and distribution expenses amounted to RMB756.2 million, representing a decrease of 15.7% as compared with the corresponding period of previous year, mainly due to the decrease in selling and distribution expenses as a result of the decrease in the number of transactions of export products of the CNR Group during the period.

Administrative expenses

For the six months ended 30 June 2014, the administrative expenses amounted to RMB3,551.4 million, representing an increase of 16.9% as compared with the corresponding period of previous year, mainly due to the increase in expenses such as the research and development costs and staff cost.

Finance costs

For the six months ended 30 June 2014, the finance costs amounted to RMB750.2 million, representing an increase of 58.9% as compared with the corresponding period of previous year, mainly due to the increase in finance costs as a result of the increase in the interest-bearing borrowings during the period.

Profit before taxation

As a result of the foregoing, the profit before tax increased by RMB912.2 million, or 46.1%, from RMB1,979.1 million for the six months ended 30 June 2013 to RMB2,891.3 million for the six months ended 30 June 2014.

Income tax

The income tax increased by RMB138.4 million, or 39.1%, from RMB354.2 million for the six months ended 30 June 2013 to RMB492.6 million for the six months ended 30 June 2014. The increase was primarily due to the increase in the profit before tax.

Profit for the period

As a result of the foregoing, the net profit increased by RMB773.8 million, or 47.6%, from RMB1,624.9 million for six months ended 30 June 2013 to RMB2,398.7 million for six months ended 30 June 2014.

Year Ended 31 December 2013 Compared to Year Ended 31 December 2012

Revenue

For the years ended 31 December 2012 and 2013, the CNR Group recorded revenue from (i) manufacturing and refurbishment of rolling stock products of RMB66,466.3 million and RMB68,003.9 million, representing approximately 72.4% and 70.3% of the total revenue, respectively; (ii) manufacturing of mechanical and electric products of RMB2,251.9 million and RMB1,793.5 million, representing approximately 2.5% and 1.9% of the total revenue, respectively; (iii) modern service business of RMB20,241.2 million and RMB22,806.2 million, representing approximately 22.0% and 23.5% of the total revenue, respectively and (iv) emerging industry business of RMB2,838.8 million and RMB4,152.5 million, representing approximately 3.1% and 4.3% of the total revenue, respectively.

The total revenue increased by RMB4,957.9 million, or 5.4%, from RMB91,798.2 million for the year ended 31 December 2012 to RMB96,756.1 million for the year ended 31 December 2013. The increase was mainly attributable to (i) the increase in revenue from the manufacturing and refurbishment of the rolling stock products by RMB1,537.6 million mainly due to the increase in number of domestic purchase orders; and (ii) increase in revenue from the modern service business by RMB2,565.0 million and emerging industry business by RMB1,313.7 million due to the expansion of such businesses.

The revenue generated from manufacturing and refurbishment of rolling stock products, increased by RMB1,537.6 million, or 2.3%, from RMB66,466.3 million for the year ended 31 December 2012 to RMB68,003.9 million for the year ended 31 December 2013. The increase was mainly attributable to increase in revenue from passenger coaches by RMB2,524.8 million and high-speed MUs by RMB1,728.7 million, primarily due to the increase in number of products that CNR Group delivered as scheduled and an increased demand for the refurbishment services in relation to high-speed MUs and passenger coaches; which was partially offset by a decrease in revenue from rapid transit vehicles by RMB2,245.3 million primarily due to decrease in number of products that CNR Group delivered as scheduled.

The revenue generated from manufacturing of mechanical and electric products decreased by RMB458.4 million, or 20.4%, from RMB2,251.9 million for the year ended 31 December 2012 to RMB1,793.5 million for the year ended 31 December 2013. The decrease was mainly because the sales of the mechanical and electric products decreased as a result of decrease in purchase orders delivered.

The revenue generated from the modern service business increased by RMB2,565.0 million, or 12.7%, from RMB20,241.2 million for the year ended 31 December 2012 to RMB22,806.2 million for the year ended 31 December 2013. The increase was primarily due to the increase in revenue from the trading of raw materials, finance leasing business and project management contracting service.

The revenue generated from the emerging industry business increased by RMB1,313.7 million, or 46.3%, from RMB2,838.8 million for the year ended 31 December 2012 to RMB4,152.5 million for the year ended 31 December 2013. The increase was due to the expansion of the business for clean energy, energy conservation and environment protection equipment and systems.

Cost of sales

The cost of sales increased by RMB1,396.7 million, or 1.8%, from RMB78,706.7 million for the year ended 31 December 2012 to RMB80,103.4 million for the year ended 31 December 2013. The increase was mainly due to the increase of sales over the same period.

The cost of sales attributable to manufacturing and refurbishment of rolling stock products decreased by RMB1,273.6 million, or 2.3%, from RMB55,322.0 million for the year ended 31 December 2012 to RMB54,048.4 million for the year ended 31 December 2013. The decrease of cost of sales was mainly because of the effectively controlled of the raw material and component costs through centralized procurement and combining the orders required by the subsidiaries of CNR.

The cost of sales attributable to manufacturing of mechanical and electric products decreased by RMB359.0 million, or 19.6%, from RMB1,834.2 million for the year ended 31 December 2012 to RMB1,475.2 million for the year ended 31 December 2013. The decrease of cost of sales was generally in line with the decrease of revenue generated from manufacturing of mechanical and electric products over the same period.

The cost of sales attributable to modern service business increased by RMB1,891.8 million, or 9.8%, from RMB19,285.1 million for the year ended 31 December 2012 to RMB21,176.9 million for the year ended 31 December 2013. The increase of cost of sales was generally in line with the increase of revenue generated from modern service business over the same period.

The cost of sales attributable to emerging industry business increased by RMB1,137.5 million, or 50.2%, from RMB2,265.4 million for the year ended 31 December 2012 to RMB3,402.9 million for the year ended 31 December 2013. The increase of cost of sales was generally in line with the increase of revenue generated from emerging industry business over the same period.

Gross profit and gross profit margin

The gross profit increased by RMB3,561.2 million, or 27.2%, from RMB13,091.5 million for the year ended 31 December 2012 to RMB16,652.7 million for the year ended 31 December 2013. The gross profit margin increased from 14.3% for the year ended 31 December 2012 to 17.2% for the year ended 31 December 2013. The increase of the gross profit and gross profit margin was primarily attributable to an increase in gross profit and profit margin of the manufacturing and refurbishment of rolling stock products.

The gross profit and gross profit margin attributable to manufacturing and refurbishment of rolling stock products increased from RMB11,144.3 million and 16.8% for the year ended 31 December 2012 to RMB13,955.5 million and 20.5% for the year ended 31 December 2013, respectively, primarily because of (i) the improvement of the production technology and increased capacity to develop and manufacture core system and key components independently by the CNR Group; (ii) the effective control of raw material and component costs through centralized procurement and combining the orders required by the subsidiaries of CNR and (iii) changes in product mix of rolling stock products with increased sales of products with relatively higher profit margin.

The gross profit and gross profit margin attributable to manufacturing and refurbishment of mechanical and electric products decreased from RMB417.7 million and 18.5% for the year ended 31 December 2012 to RMB318.3 million and 17.7% for the year ended 31 December 2013 primarily due to changes in product mix over such period.

The gross profit and gross profit margin attributable to the modern service business increased from RMB956.1 million and 4.7% for the year ended 31 December 2012 to RMB1,629.3 million and 7.1% for the year ended 31 December 2013. The increase in gross profit and gross profit margin was primarily due to the expansion and increased scale of economies of the finance leasing business and project management contracting services.

The gross profit attributable to the emerging industry business increased from RMB573.5 million for the year ended 31 December 2012 to RMB749.6 million for the year ended 31 December 2013 primarily due to increased number of purchase orders CNR received in 2013. The gross profit margin attributable to the emerging industry business decreased from 20.2% for the year ended 31 December 2012 to 18.1% for the year ended 31 December 2013 primarily due to changes in product mix with a higher proportion of sales of products with relatively lower profit margin.

Other revenue

The other revenue decreased by RMB114.0 million, or 16.3%, from RMB697.8 million for the year ended 31 December 2012 to RMB583.8 million for the year ended 31 December 2013. The decrease was primarily due to a decrease in government grants for projects of the CNR Group of RMB182.3 million from the year ended 31 December 2012 to the year ended 31 December 2013.

Other net loss

The other net loss increased by RMB169.9 million, or 279.4%, from RMB60.8 million for the year ended 31 December 2012 to RMB230.7 million for the year ended 31 December 2013. The increase in the other net loss was primarily attributable to an increase in net foreign exchange loss of RMB52.7 million due to fluctuations in exchange rates and an investment loss of RMB51.3 million that the CNR Group recognized in relation to the acquisition of Jilin High-New Electric Cars Co., Ltd. in April 2013.

Selling and distribution expenses

The selling and distribution expenses increased by RMB295.1 million, or 17.1%, from RMB1,723.0 million for the year ended 31 December 2012 to RMB2,018.1 million for the year ended 31 December 2013. The increase was primarily attributable to an increase of the sales services fee of approximately RMB325.2 million in relation to overseas sales and sales to non-CRC customers in the PRC from the year ended 31 December 2012 to the year ended 31 December 2013.

Administrative expenses

The administrative expenses increased by RMB1,908.1 million, or 27.8%, from RMB6,875.7 million for the year ended 31 December 2012 to RMB8,783.8 million for the year ended 31 December 2013. The increase was primarily attributable to (i) an increase in impairment losses of RMB903.6 million primarily due to an increase in amount of provision that the CNR Group recorded with respect to its receivables based on individual assessment of collectability; (ii) an increase in staff costs of RMB495.9 million from the year ended 31 December 2012 to the year ended 31 December 2013 primarily due to increased wages and benefits; and (iii) an increase in research and development expenses of RMB201.1 million as a result of increased research and development activities.

Finance costs

The finance costs increased by RMB214.4 million, or 18.2%, from RMB1,181.0 million for the year ended 31 December 2012 to RMB1,395.4 million for the year ended 31 December 2013. The increase was primarily attributable to an increase in interest expense on borrowings due to an increase in the average financing interest rate.

Profit before taxation

As a result of the foregoing, the profit before taxation increased by RMB911.7 million, or 21.8%, from RMB4,187.4 million for the year ended 31 December 2012 to RMB5,099.1 million for the year ended 31 December 2013.

Income tax

The income tax increased by RMB270.0 million, or 44.8%, from RMB603.1 million for the year ended 31 December 2012 to RMB873.1 million for the year ended 31 December 2013. The increase was primarily due to the increase in the profit before taxation and increase in the effective income tax rate. The effective income tax rate was 14.4% for the year ended 31 December 2012 and 17.1% for the year ended 31 December 2013. The increase of the effective income tax rate from the year ended 31 December 2012 to the year ended 31 December 2013 was primarily due to increases in non-deductible fees and tax loss of certain of the subsidiaries of CNR in 2013 that cannot be recognized as deferred tax.

Profit for the year

As a result of the foregoing, the net profit increased by RMB641.7 million, or 17.9%, from RMB3,584.3 million for year ended 31 December 2012 to RMB4,226.0 million for year ended 31 December 2013.

Year Ended 31 December 2012 Compared to Year Ended 31 December 2011

Revenue

For the years ended 31 December 2011 and 2012, the CNR Group recorded revenue from (i) manufacturing and refurbishment of rolling stock products of RMB70,417.9 million and RMB66,466.3 million, representing 79.3% and 72.4% of the total revenue, respectively; (ii) manufacturing of mechanical and electric products of RMB1,314.5 million and RMB2,251.9 million, representing 1.5% and 2.5% of the total revenue, respectively; (iii) modern service business of RMB14,915.0 million and RMB20,241.2 million, representing 16.8% and 22.0% of the total revenue, respectively; and (iv) emerging industry business of RMB2,163.4 million and RMB2,838.8 million, representing approximately 2.4% and 3.1% of the total revenue, respectively.

The total revenue increased by RMB2,987.4 million, or 3.4%, from RMB88,810.8 million for the year ended 31 December 2011 to RMB91,798.2 million for the year ended 31 December 2012. The increase was mainly attributable to the increase in revenue generated from the modern service business by RMB5,326.2 million, partially offset by decrease in revenue generated from the manufacturing and refurbishment of rolling stock products by RMB3,951.6 million over the period.

The revenue generated from manufacturing and refurbishment of rolling stock products decreased by RMB3,951.6 million, or 5.6%, from RMB70,417.9 million for the year ended 31 December 2011 to RMB66,466.3 million for the year ended 31 December 2012. The decrease was mainly attributable to a decrease in the revenue from locomotives by RMB3,838.5 million due to decrease in number of new purchase orders in 2012 and a decrease in revenue from high-speed MUs by RMB2,824.8 million primarily due to decrease in number of products that CNR Group delivered in 2012, partially offset by (i) an increase in revenue from rapid transit vehicles by RMB1,726.2 million; and (ii) an increase in revenue from passenger coaches by RMB1,394.9 million primarily due to increase in number of sales.

The revenue generated from manufacturing of mechanical and electric products increased by RMB937.4 million, or 71.3%, from RMB1,314.5 million for the year ended 31 December 2011 to RMB2,251.9 million for the year ended 31 December 2012. The increase was mainly due to increase in purchase orders.

The revenue generated from the modern service business increased by RMB5,326.2 million, or 35.7%, from RMB14,915.0 million for the year ended 31 December 2011 to RMB20,241.2 million for the year ended 31 December 2012. The increase was due to the expansion of trading of raw materials business, finance leasing business and project management contracting service.

The revenue generated from the emerging industry business increased by RMB675.4 million, or 31.2%, from RMB2,163.4 million for the year ended 31 December 2011 to RMB2,838.8 million for the year ended 31 December 2012. The increase was mainly due to the expansion of the clean energy, energy conservation and environment protection equipment and systems business.

Cost of sales

The cost of sales increased by RMB1,615.8 million, or 2.1%, from RMB77,090.9 million for the year ended 31 December 2011 to RMB78,706.7 million for the year ended 31 December 2012. The increase was generally in line with the increase of the total revenue.

The cost of sales attributable to manufacturing and refurbishment of rolling stock products decreased by RMB5,029.6 million, or 8.3%, from RMB60,351.6 million for the year ended 31 December 2011 to RMB55,322.0 million for the year ended 31 December 2012. The decrease was mainly due to decrease of sales and refurbishment of rolling stock products as a result of decrease in purchase orders delivered over the same period.

The cost of sales attributable to manufacturing of mechanical and electric products increased by RMB894.5 million, or 95.2%, from RMB939.7 million for the year ended 31 December 2011 to RMB1,834.2 million for the year ended 31 December 2012. The increase was mainly due to increase of sales from manufacturing of mechanical and electric products over the same period.

The cost of sales attributable to modern service business increased by RMB5,150.7 million, or 36.4%, from RMB14,134.4 million for the year ended 31 December 2011 to RMB19,285.1 million for the year ended 31 December 2012. The increase was generally in line with the increase of revenue generated from modern service business over the same period.

The cost of sales attributable to emerging industry business increased by RMB600.2 million, or 36.0%, from RMB1,665.2 million for the year ended 31 December 2011 to RMB2,265.4 million for the year ended 31 December 2012. The increase was generally in line with the increase of revenue generated from emerging industry business over the same period.

Gross Profit and gross profit margin

As a result of the foregoing, the gross profit increased by RMB1,371.6 million, or 11.7%, from RMB11,719.9 million for the year ended 31 December 2011 to RMB13,091.5 million for the year ended 31 December 2012. The gross profit margin increased from 13.2% for the year ended 31 December 2011 to 14.3% for the year ended 31 December 2012. The increase of the gross profit and gross profit margin was primarily due to an increase in gross profit and profit margin of the manufacturing and refurbishment of rolling stock products; which was partially offset by a decrease in gross profit and profit margin of production of manufacturing of mechanical and electric products.

The gross profit and gross profit margin attributable to manufacturing, sales and refurbishment of rolling stock increased from RMB10,066.3 million and 14.3% for the year ended 31 December 2011 to RMB11,144.3 million and 16.8% for the year ended 31 December 2012, respectively, primarily because the CNR Group improved its product technology level and independent development rate of core system and key components.

The gross profit attributable to manufacturing of mechanical and electric products increased from RMB374.8 million for the year ended 31 December 2011 to RMB417.7 million for the year ended 31 December 2012 primarily due to increase in number of purchaser orders and sales.

The gross profit margin attributable to manufacturing of mechanical and electric products decreased from 28.5% for year ended 31 December 2011 to 18.5% for the year ended 31 December 2012 primarily due to changes in product mix with increased sales of products with relatively lower profit margin.

The gross profit attributable to the modern service business increased from RMB780.6 million for the year ended 31 December 2011 to RMB956.1 million for the year ended 31 December 2012 primarily due to increase in sales. The gross profit margin attributable to the modern service business decreased slightly from 5.2% for the year ended 31 December 2011 to 4.7% for the year ended 31 December 2012 primarily due to the increased trading of raw materials, which had a relatively low gross profit margin.

The gross profit attributable to the emerging industry business increased from RMB498.2 million for the year ended 31 December 2011 to RMB573.5 million for the year ended 31 December 2012 primarily due to an increase in number of purchaser orders and sales. The gross profit margin attributable to the emerging industry business decreased from 23.0% for the year ended 31 December 2011 to 20.2% for the year ended 31 December 2012 primarily due to changes in product mix with increased sales of products with relatively lower profit margin.

Other revenue

The other revenue increased by RMB87.9 million, or 14.4%, from RMB609.9 million for the year ended 31 December 2011 to RMB697.8 million for the year ended 31 December 2012. The increase was primarily due to an increase in government grant for projects of the CNR Group of RMB72.1 million from the year ended 31 December 2011 to the year ended 31 December 2012.

Other net loss

The other net loss decreased by RMB67.7 million, or 52.7%, from RMB128.5 million for the year ended 31 December 2011 to RMB60.8 million for the year ended 31 December 2012. The decrease in other net loss was primarily attributable to a decrease in net foreign exchange loss of approximately of RMB74.7 million due to fluctuations in exchange rates.

Selling and distribution expenses

The selling and distribution expenses increased by RMB254.1 million, or 17.3%, from RMB1,468.9 million for the year ended 31 December 2011 to RMB1,723.0 million for the year ended 31 December 2012. The increase was primarily due to (i) an increase in transportation costs of RMB101.5 million and an increase of staff costs of RMB72.5 million in relation to the overseas sales and increased after-sales services; and (ii) an increase in other expenses of RMB120.1 million due to increase in packaging, installation and other miscellaneous expenses.

Administrative expenses

The administrative expenses increased by RMB800.7 million, or 13.2%, from RMB6,075.0 million for the year ended 31 December 2011 to RMB6,875.7 million for the year ended 31 December 2012. The increase was primarily due to an increase in research and development expenses of approximately RMB406.4 million primarily due to the increased research and development activities and an increase in staff costs of RMB181.8 million primarily due to increased wages and benefits of the administrative staff.

Finance costs

The finance costs decreased by RMB66.5 million, or 5.3%, from RMB1,247.5 million for the year ended 31 December 2011 to RMB1,181.0 million for the year ended 31 December 2012. The decrease was primarily attributable to a decrease in interest expense on borrowings due to decrease in the average financing interest rate.

Profit before taxation

As a result of the foregoing, the profit before taxation increased by RMB532.4 million, or 14.6%, from RMB3,655.0 million for the year ended 31 December 2011 to RMB4,187.4 million for the year ended 31 December 2012.

Income tax

The income tax increased by RMB92.6 million, or 18.1%, from RMB510.5 million for the year ended 31 December 2011 to RMB603.1 million for the year ended 31 December 2012. The increase was primarily due to the increase in profit before tax over the same period. The effective income tax rate remained relatively stable from 14.0% for the year ended 31 December 2011 to 14.4% for the year ended 31 December 2012.

Profit for the year

As a result of the foregoing, the net profit increased by RMB439.7 million, or 14.0%, from RMB3,144.6 million for the year ended 31 December 2011 to RMB3,584.3 million for the year ended 31 December 2012.

LIQUIDITY AND CAPITAL RESOURCES

CNR Group has historically met its liquidity requirements through cash flows from operations, equity financing and bank borrowings. The primary liquidity requirements are to finance working capital, fund the payment of interest and principal due on its indebtedness and fund capital expenditures and growth and expansion of its facilities and operations.

As at 30 June 2014, the CNR Group had approximately RMB107,360.0 million of banking facilities available to the CNR Group from commercial banks, of which approximately RMB74,782.0 million was unutilized and unrestricted.

As at 30 June 2014, the CNR Group had cash and cash equivalents of approximately RMB13,266.2 million, out of which RMB5,179.2 million was denominated in Renminbi, RMB6,610.0 million was denominated in US dollar, and RMB14.6 million was denominated in Euro.

Cash Flows

The following table sets forth a summary of the cash flows for the periods indicated:

Unit: RMB'000

	Year ended 31 December			Six months ended 30 June
	2011	2012	2013	2014
				(unaudited)
Net cash flow (used in)/generated from operating activities	(2,517,194)	1,795,900	4,886,783	(11,335,510)
Net cash flow used in investing activities	(7,767,193)	(5,985,771)	(5,715,976)	(2,372,226)
Net cash flow generated from/ (used in) financing activities	10,964,469	6,672,465	(415,592)	19,867,491
Cash and cash equivalents at the beginning of year/period	5,242,324	5,894,744	8,379,753	7,114,408
Effect of foreign exchange rate changes, net	(27,662)	2,415	(20,560)	(7,958)
Cash and cash equivalents at the end of year/period	5,894,744	8,379,753	7,114,408	13,266,205

Net cash used in/generated from operating activities

Net cash generated from/used in operating activities primarily consisted of profit before taxation adjusted for non-cash items, such as depreciation of property, plant and equipment and amortization of lease prepayments and intangible assets, share of profits of associates and joint ventures and finance costs, and the effects of changes in working capital, such as increase or decrease of inventories, trade and bills receivables, deposits, prepayments and other receivables and trade and other payables.

For the six months ended 30 June 2014, the CNR Group recorded net cash used in operating activities of RMB11,335.5 million, representing an increase of 131.2% of the net outflow as compared with the corresponding period of the previous year, mainly because, during the period, the increase in the amount of cash received from sales of goods and rendering of services of the CNR Group as compared with the corresponding period of the previous year was smaller than the increase in the amount of cash received from the cash paid for goods and services as compared with the corresponding period of the previous year.

Cash flows from operating activities can be significantly affected by factors such as the timing of collections of trade and bills receivables from customers and payments of trade and other payable to suppliers during the regular course of business.

For the year ended 31 December 2013, the CNR Group recorded net cash inflow from operating activities of RMB4,886.8 million, primarily as a result of profit before taxation of RMB5,099.1 million, adjusted for: (i) a decrease in inventories of RMB5,921.0 million as some of the purchase orders were delivered; and (ii) an increase in trade and other payables of RMB8,513.9 million mainly due to increase in receipts in advance from the major customers in relation to new purchase orders that were secured in 2013; which were partially offset by (i) an increase in trade and bills receivables of RMB9,893.9 million mainly due to the increase in number of purchase orders that were delivered in the last quarter of 2013 as scheduled; and (ii) an increase in deposits, prepayments and other receivables of RMB7,171.8 million mainly due to expansion of the modern service business.

For the year ended 31 December 2012, the CNR Group recorded net cash inflow from operating activities of RMB1,795.9 million, primarily as a result of profit before taxation of RMB4,187.4 million, adjusted for: a decrease in inventories of RMB6,518.3 million as some of the purchase orders were delivered; which were partially offset by (i) an increase in trade and bills receivables of RMB5,944.5 million primarily due to the increased sales to non-CRC customers in the PRC and overseas customers, which generally have a relatively longer payment cycle; (ii) an increase in deposits, prepayments and other receivables of RMB2,734.3 million primarily due to expansion of the modern service business; and (iii) a decrease in trade and other payables of RMB1,970.3 million primarily due to decrease in receipts in advance from customers as CNR Group delivered some of its products over the year.

For the year ended 31 December 2011, the CNR Group recorded net cash outflow from operating activities of RMB2,517.2 million, primarily as a result of profit before taxation of RMB3,655.0 million, adjusted for: (i) an increase in inventories of RMB6,795.6 million in preparation for the purchase orders that were received; and (ii) an increase in trade and bills receivables of RMB5,435.8 million due to the expansion of the business; which were partially offset by (i) an increase in trade and other payables of RMB2,566.5 million primarily due to the expansion of the business; and (ii) a decrease in deposits, prepayments and other receivables of RMB1,599.9 million primarily due to the settlement of the prepayments as CNR Group delivered some of its products.

Net cash used in investing activities

The cash outflow from investing activities primarily consists of payments for purchase of property, plant and equipment and intangible assets and payments for acquisition of associates and joint ventures. The cash inflow from investing activities primarily consists of government grants received and dividends received in relation to the available-for-sale investments.

For the six months ended 30 June 2014, the CNR Group recorded net cash used in investing activities of RMB2,372.2 million, representing a decrease of 17.8% of the net outflow as compared with the corresponding period of the previous year, mainly due to the decrease in investment expenditures of the CNR Group during the period.

For the year ended 31 December 2013, the net cash used in investing activities was RMB5,716.0 million. Cash used in investing activities in 2013 was primarily attributable to payment for purchase of property, plant and equipment of RMB5,326.8 million, partially offset by government grants received of RMB219.7 million.

For the year ended 31 December 2012, the net cash used in investing activities of RMB5,985.8 million, primarily attributable to payment for purchase of property, plant and equipment, lease prepayments and intangible assets of RMB6,119.0 million; partially offset by government grants received of RMB428.4 million.

For the year ended 31 December 2011, the net cash used in investing activities of RMB7,767.2 million, primarily attributable to payment for purchase of property, plant and equipment, lease prepayments and intangible assets of RMB7,569.0 million; partially offset by government grants received of RMB105.4 million.

Net cash generated from/used in financing activities

The cash inflow from financing activities primarily consists of proceeds from bank loans and borrowings, proceeds from issuance of short-term bonds and proceeds from issue of shares. The cash outflow from financing activities primarily consists of repayment of bank loans and borrowings, repayment of debentures and payment of interest expense.

For the six months ended 30 June 2014, the CNR Group recorded net cash inflow generated from financing activities of RMB19,867.5 million, representing an increase of 347.6% of the net inflow as compared with the corresponding period of the previous year, mainly because the CNR Group raised RMB7,822 million from the listing of H shares of CNR during the period.

For the year ended 31 December 2013, the net cash used in financing activities was RMB415.6 million, primarily attributable to (i) repayment of bank loans and borrowings of RMB63,691.9 million; (ii) repayment of short-term bonds of RMB19,957.1 million; and (iii) payment of interest expense of RMB1,195.0 million; partially offset by (i) proceeds from bank loans and borrowings of RMB69,546.9 million; and (ii) proceeds from issuance of short-term bonds of RMB15,968.6 million.

For the year ended 31 December 2012, the net cash generated from financing activities was RMB6,672.5 million, primarily attributable to (i) proceeds from bank loans and borrowings of RMB38,044.6 million; (ii) proceeds from issuance of short-term bonds of RMB13,966.0 million; and (iii) proceeds from issue of shares of RMB6,873.6 million; partially offset by (i) repayment of bank loans and borrowings of RMB41,722.6 million; (ii) repayment of short-term bonds of RMB7,971.9 million; and (iii) payment of interest expense of RMB1,196.8 million.

For the year ended 31 December 2011, the net cash generated from financing activities was RMB10,964.5 million, primarily attributable to (i) proceeds from bank loans and borrowings of RMB42,608.9 million; and (ii) proceeds from issuance of short-term bonds of RMB7,972.0 million; partially offset by (i) repayment of bank loans and borrowings of RMB34,108.6 million; (ii) repayment of short-term bonds of RMB3,975.8 million; and (iii) payment of interest expense of RMB843.4 million.

INDEBTEDNESS, CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Indebtedness

As at 30 June 2014, the CNR Group had total borrowings of approximately RMB35,364.8 million, which increased by 60.6% from RMB22,024.4 million as at 31 December 2013, mainly due to the corporate demand for funds in order to ensure the payment of the follow-up orders and the progression of production cycle in light of the increase in accounts receivable.

As at 30 June 2014, out of the total borrowings of the CNR Group, RMB34,712.9 million was denominated in Renminbi, RMB133.3 million was denominated in US dollar, and RMB507.5 million was denominated in Euro.

The CNR Group's long-term interest-bearing borrowings and short-term interest-bearing borrowings as at 30 June 2014 were RMB6,035.8 million and RMB29,329.0 million, respectively.

As at 30 June 2014, the CNR Group's total interest-bearing bank and other borrowings at floating interest rate amounted to RMB11,013.8 million, as compared to RMB6,486.8 million as at 31 December 2013.

As at 30 June 2014, the CNR Group issued short-term inter-bank corporate bonds with an aggregate principal amount of RMB16,000.0 million, which were interest-bearing at fixed interest rate, as well as medium-term notes with an aggregate principal amount of RMB4,000.0 million, which were interest- bearing at fixed interest rate.

The following table sets forth the components of the CNR Group's long-term interest-bearing borrowings as at the dated indicated:

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Entrusted loans				
— Unsecured	5,500	5,500	—	—
Bank loans				
— Unsecured	319,660	370,033	1,410,277	2,560,219
Other loans				
— Guaranteed	—	—	5,000	5,000
Medium term note	—	—	—	3,970,532
	325,160	375,533	1,415,277	6,535,751
Less: Current portion of long-term borrowings	100,000	350,000	—	500,000
Total	225,160	25,533	1,415,277	6,035,751

The following table sets forth the components of the CNR Group's short-term interest-bearing borrowings as at the dates indicated:

	At 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Entrusted loans				
— Unsecured	1,200,000	20,000	601,980	601,980
Bank loans				
— Secured	565,516	50,000	1,243,132	2,025,682
— Unsecured	8,345,004	5,690,600	8,761,684	10,111,727
Others loans				
— Secured	—	—	8,000	8,000
— Unsecured	—	—	—	100,000
Short-term inter-bank corporate bonds				
— Unsecured	7,987,852	13,984,474	9,994,357	15,981,652
Add: Current portion of long-term borrowings	100,000	350,000	—	500,000
Total	18,198,372	20,095,074	20,609,153	29,329,041

The CNR Group's secured bank loans are mainly secured by the trade and bills receivables for the sale of the products and services. As at 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014, the amount of the trade and bills receivables that the CNR Group used to secure the bank loans RMB574.9 million, RMB50.0 million, RMB1,373.7 million, and RMB479.6 million respectively. As at 31 December 2013 and 30 June 2014, the carrying amount of the land prepayments that was used to secure bank loans of the CNR Group were approximately RMB16.0 million and RMB15.7 million, respectively. Pursuant to the entrusted loan agreements (the "**Entrusted Loan Agreements**") dated 27 December 2013 and 31 December 2013, respectively, entered into by CNRG, China CITIC Bank Corporation Limited (中信銀行股份有限公司) and the CNR Group, CNRG lent to the CNR Group an aggregate amount equal to RMB602.0 million through China CITIC Bank Corporation Limited at a fixed interest rate of 4.40% per annum to be used directly on projects sponsored by fiscal funds or to supplement the working capital spent on projects sponsored by fiscal funds (the "**Entrusted Loans**"). The term of each loan is one year. The increases in the borrowings over the period were primarily due to the expansion of business. The CNR Group expects to repay the borrowings through the cash flow generated from operating activities.

The following table sets forth the interest rates per annum of the long-term and short-term borrowings of the CNR Group as at the dates indicated:

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	%	%	%	%
				(unaudited)
Long-term interest-bearing loans				
— Bank loans [(1)]	0.20-6.70	0.20-6.21	0.20-4.20	0.20-4.20
— Other loans	—	3.20	3.20	3.20
Short-term interest-bearing loans and borrowings				
Entrusted loans	4.66-5.24	6.00-6.31	4.40	4.40
Bank loans	1.99-8.10	4.20-6.69	3.90-7.00	1.26-6.30
Others loans	—	—	10.00	6.00-10.00
Short-term inter-bank corporate bonds	4.35-5.43	3.39-5.43	3.75-5.30	4.70-5.70

Note:

(1) The unsecured long-term interest-bearing loans included government loans and loans from Import and Export Bank of China for exportation of the products.

The following table sets forth the maturity profile of the long-term loans repayable of the CNR Group as at the dates indicated:

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Loans				
— Within one year, inclusive or on demand	113,776	448,089	58,581	596,985
— In the second year, inclusive	13,776	382	1,411,508	2,066,844
— In the third to fifth year, inclusive	41,299	785	5,237	5,198
— Beyond five years	293,775	20,915	21,133	21,011
Total	462,626	470,171	1,496,459	2,690,038

On 24 January 2014, CNR issued short-term inter-bank corporate bonds in a principal amount of RMB2,000.0 million. The maturity of such bonds is 27 April 2014 and the interest rate is 5.83% per annum. On 27 January 2014, CNR issued another short-term inter-bank corporate bonds in a principal amount of RMB2,000.0 million. The maturity of such bonds is 27 July 2014 and the interest rate is 5.70% per annum. The issuance of such short-term inter-bank corporate bonds is a financing vehicle that CNR uses for the purpose of diversifying the financing structure and reducing the financing cost. As the financing cost for obtaining bank loans is generally higher than the financing cost for short-term inter-bank corporate bonds, CNR issues short-term inter-bank corporate bonds on a rolling basis in order to reduce the overall financing cost. During the fourth quarter of 2013, approximately RMB4,000.0 million of the short-term corporate bonds were repaid at maturity and CNR had approximately RMB10,000.0 million of outstanding short-term corporate bonds as at 31 December 2013. In January 2014, approximately RMB4,000.0 million of the short-term corporate bonds were repaid at maturity but CNR also issued additional short-term corporate bonds of RMB4,000.0 million. As a result, the outstanding amount of the short-term corporate bonds remained RMB10,000.0 million as at 31 January 2014. The proceeds from the issuance of the RMB4,000.0 million short-term inter-bank corporate bonds in January 2014 were used to repay the bank loans.

On 19 February 2014 and 21 February 2014, CNR issued short-term inter-bank corporate bonds in a principal amount of RMB2,000.0 million and RMB3,000.0 million, respectively. The interest rates of both of such bonds are 5.50% per annum and the maturity of such bonds is 19 August 2014 and 24 February 2015, respectively. In February 2014, approximately RMB4,000.0 million of the outstanding short-term corporate bonds were repaid. On 26 March 2014, CNR issued additional short-term inter-bank corporate bonds in a principal amount of RMB3,000.0 million. The maturity of such bonds is 27 March 2015 and the interest rate is 5.30% per annum. The proceeds from the issuance of such short-term corporate bonds were mainly used to repay the bank loans. As at 31 March 2014, the outstanding amount of short-term corporate bonds was RMB13,979.2 million.

On 24 February and 17 March 2014, CNR issued medium-term notes in a principal amount RMB2,000.0 million and RMB2,000.0 million, respectively. The maturity of such medium-term notes is 25 February 2017 and 18 March 2019, respectively, and the interest rate is 5.50% and 5.75% per annum, respectively.

On 24 April 2014, CNR issued short-term inter-bank corporate bonds in a principal amount of RMB2,000.0 million. The interest rate of such bonds is 4.80% per annum and the maturity of such bonds is 19 January 2015.

Gearing Ratio

The gearing ratio was 70.4%, 55.5%, 55.7% and 74.5% as at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014, respectively.

The gearing ratio decreased from 70.4% as at 31 December 2011 to 55.5% as at 31 December 2012 mainly due to the issuance of shares by CNR in 2012.

The gearing ratio remained relatively stable from 55.5% as at 31 December 2012 to 55.7% as at 31 December 2013.

The gearing ratio increased 18.8% from 55.7% as at 31 December 2013 due to the increase in demand for funds during the period, resulting in the increase in interest bearing liabilities as compared to the end of the previous year.

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[1] Gearing ratio is calculated by total debt divided by total equity at the end of the period and multiplied by 100%. Total debt is defined as payables not incurred in the ordinary course of business.

Pledged Assets

As at 30 June 2014, the CNR Group had pledged the following for bank borrowings: trade and bill receivables of RMB479.6 million.

As at 31 December 2011, 2012 and 2013, the CNR Group had pledged the following for bank borrowings: trade and bill receivables of RMB574.9 million, RMB50.0 million and RMB1,373.7 million, respectively.

Capital Expenditures and Capital Commitments

In the past, the CNR Group incurred capital expenditures primarily for the construction and expansion of the manufacturing and refurbishment facilities and the procurement of machinery used to manufacture and refurbish rolling stock products. The capital expenditures were RMB7,751.2 million, RMB5,400.5 million, RMB6,170.4 million and RMB1,799.8 million for the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014, respectively.

As at 30 June 2014 and 31 December 2013, the CNR Group had capital commitments of RMB3,724.0 million and RMB4,172.4 million contracted for but not yet incurred, which would be mainly used for the acquisition of properties, plants and equipment.

Contingent Liabilities

As at 31 December 2011, 2012, 2013 and 30 June 2014, the CNR Group did not have any material contingent liabilities.

RISK MANAGEMENT

The CNR Group is exposed to various types of market risks in the ordinary course of its business, including credit risk, liquidity risk, interest rate risk and currency risk.

Credit Risk

Credit risk of the CNR Group is primarily attributable to cash at bank, trade and bills receivables, deposits, prepayments and other receivables and other non-current assets. The CNR Group has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. Substantially all of the cash at bank of the CNR Group are deposited in state-owned/controlled PRC banks which the CNR Group assessed the credit risk to be insignificant.

Liquidity Risk

The CNR Group aims to ensure continuity of sufficient funding and flexibility by utilizing a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that its outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. The CNR Group has regularly monitored current and expected liquidity requirements to ensure that sufficient reserves of cash and adequate committed lines of funding from major financial institutions are maintained to meet the CNR Group's liquidity requirements in the short and long term.

In addition, the CNR Group has actively and regularly reviewed and managed its capital structure to maintain a balance between higher equity shareholder returns that might be associated with higher levels of borrowings and the advantages and security provided by a sound capital position, and has made adjustments to the capital structure in light of changes in economic conditions. No changes were made in the CNR Group's objectives, policies or processes for managing capital during the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014.

Interest Rate Risk

The CNR Group is exposed to the risk of changes in market interest rates relates primarily to its interest bearing bank borrowings with a variable interest rate. The CNR Group has reviewed and monitored the mix of fixed and variable rate borrowings in order to manage its interest rate risks. during the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, CNR did not use interest rate swaps to hedge its exposure to interest rate risk.

Currency Risk

The functional currency of the CNR Group is Renminbi with most of its transactions settled in Renminbi. The CNR Group normally uses, however, foreign currencies, to settle its invoices from overseas operations, to settle its purchases of machinery and equipment from overseas suppliers and for certain expenses. RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future.

SIGNIFICANT INVESTMENTS

1. Establishment of 北車(美國)公司 (CNR MA Corporation) ("CNR MA")

In order to expand into the U.S. rolling stock market, CNR and 長春軌道客車股份有限公司 (Changchun Railway Vehicle Co., Ltd.) ("**CNR Changchun**"), one of its subsidiaries, established CNR MA in 2014 by way of joint venture. Through CNR MA, CNR won the bid in October 2014 to supply a total of 284 metro vehicles consisting of 132 in red line and 152 in orange line to Boston Subway, the U.S.. The total contract sum was RMB3.485 billion. As the first order for complete units of rolling stock equipment won by a PRC rolling stock equipment enterprise in the USA through global tender, it marks the world-wide coverage of CNR's rolling stock equipment across six continents, namely Asia, Europe, Africa, North America, South America and Oceania.

2. Establishment of 中國北車集團財務有限公司 (CNR Financial Corp., Ltd.) ("CNR Financial")

CNR Financial was established jointly by CNRG and CNR in November 2012 with the aim to provide financial services to members of CNRG and the CNR Group. At the time of establishment, among the total investment amount of RMB1.2 billion, RMB1.0 billion or 83.3% was contributed by CNR. In March 2014, CNR acquired 8.33% interests in CNR Financial from CNRG and CNR Financial is owned as to 91.66% by CNR and 8.34% by CNRG as at the Latest Practicable Date. Since its establishment, CNR Financial has provided financial services to members of CNRG and CNR, and has improved the CNR Group's overall fund utilization efficiency and lowered the finance costs of group members.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

As at 31 December 2011, 2012, 2013 and 30 June 2014, the CNR Group did not have significant acquisitions or disposals of subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

Developing and maintaining a team of capable and motivated managerial, technical and other employees is critical to the CNR Group's success. The remuneration package for the CNR's employees generally includes salaries and bonuses. Employees also receive welfare benefits, including medical care, housing subsidies, retirement benefits, occupational injury insurance and other miscellaneous items.

As at 30 June 2014, CNR Group had 85,565 full-time employees. For the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014, the total staff cost of the CNR Group amounted to RMB7,354.4 million, RMB8,225.9 million, RMB9,090.9 million and RMB4,566.3 million, respectively.

Employee recruiting and retention policies have been formulated taking into account a number of factors, including market conditions and its business demands and expansion plans. The CNR Group aims to recruit, train and retain talented professionals through a multi-step recruiting and training process, and offers competitive performance-linked remuneration packages and career development opportunities to its employees. Periodic performance reviews are conducted for employees, and performance-based salaries and bonuses are offered. In addition, CNR has implemented training programs according to different job requirements. CNR believes that these initiatives have contributed to increased employee productivity.

1 OFAC

(1) In respect of CSR

CSR has certain operations in certain sanctioned countries including Iran, Sudan, North Korea and Iraq, and its revenue derived therefrom in aggregate accounted for approximately 3.59%, 0.0014%, 0.05% and 0.25%, respectively, of its revenue for the years ended 31 December 2011, 2012 and 2013 and the ten-month period ended 31 October 2014.

Value of CSR's Contract of Sales in Sanctioned Countries

Sanctioned Countries	2011	2012	2013	31 October 2014	Contract Contents
Iran	EURO$26.0 million EURO$286.0 million EURO$25.1 million EURO$13.7 million	US$0.2 million	—	—	Diesel locomotives, metro vehicles, DF8BI locomotives, EMD952361 pistons, EMD645 locomotive engines and components for repairs
Sudan	US$6.8 million US$11.1 million US$7.4 million	—	RMB24.4 million	RMB62.0 million EURO$2.4 million	Diesel multiple units, railway wagons and boxcars
North Korea	US$6.76 million	—	—	—	Sleeper railway carriages
Iraq	—	RMB525.7 million	—	RMB114.7 million	160K/H diesel multiple units and spare parts

CSR has been advised by its legal advisers that none of the above contracts of CSR involving Iran, Sudan, North Korea and Iraq has been known to be subject to sanctions which are applicable to CSR. CSR has been advised by its legal advisers that Australian sanction law did not apply to CSR for the above contracts. In jurisdictions where sanctions laws apply, except for the government-owned railway entity in Sudan, none of the counterparties to these contracts are on the Specially Designated Nationals and Blocked Persons List of OFAC, nor were such counterparties other restricted persons as listed by the U.S., European Union and the United Nations at the time the transactions occurred. No U.S. persons or U.S. origin items are involved in transactions with the government-owned railway entity in Sudan. As advised by its legal advisers, the sales and exportation activities under these contracts by CSR do not involve industries or areas specifically sanctioned by the U.S., European Union, Australia or the United Nations, and would not be deemed as activities prohibited by relevant laws and regulations of sanctions.

CSR's Revenue in Sanctioned Countries and Percentage of its Total Revenue

Sanctioned Countries	**2011**	**2012**	**2013**	**31 October 2014**
Iran	RMB2,651.8 million/3.3349%	RMB1.2 million/0.0014%	—	—
Sudan	RMB159.2 million/0.2003%	—	RMB24.4 million/0.0253%	RMB66.2 million/0.0699%
North Korea	RMB42.6 million/0.0535%	—	—	—
Iraq	—	—	RMB23.7 million/0.0245%	RMB174.6 million/0.1844%

(2) In respect of CNR

CNR has certain operations in certain sanctioned countries including Iran, Cuba, Sudan, Myanmar, Iraq and Liberia, and its revenue derived therefrom in aggregate accounted for approximately 2.12%, 1.00%, 0.58% and 0.89%, respectively, of its revenue for the years ended 31 December 2011, 2012 and 2013 and the ten-month period ending 31 October 2014.

Value of CNR's Contract of Sales in Sanctioned Countries

Sanctioned Countries	2011	2012	2013	31 October 2014	Contract Contents
Iran[(Note 1)]	RMB45.8 million RMB13.3 million	EURO$110.0 million EURO$13.2 million	—	RMB14.9 million RMB68.2 million	Railway passenger coaches, bogies, metro vehicles
Cuba	US$4.4 million	US$1.1 million US$1.3 million US$1.2 million	—	US$1.7 million	Locomotive accessories
Sudan	—	US$0.03 million	US$0.03 million US$6.6 million US$30.6 million	US$1.0 million	Railway electric accessories, diesel locomotive and related accessories, freight wagon bogies
Myanmar	—	RMB24.1 million	US$0.04 million US$0.2 million	US$0.03 million	Diesel engines, railway electric accessories, springs
Iraq	—	US$3.2 million US$3.0 million	—	—	Diesel engines and accessories, bogie accessories
Liberia	—	US$1.9 million	—		Diesel locomotive and accessories

Note 1: CNR's subsidiary, CNR Changchun, is a minority shareholder of TWM, a joint venture company in Iran. CNR's financial transactions in relation to its sales to Iran are settled by the counterparties in Iran by wire transfer payment or letter of credit in either Euros or RMB, through the Bank of Kunlun to CNR. The Bank of Kunlun was sanctioned by OFAC in 2012. Please see the prospectus of CNR titled "Business — Operations in the Sanctioned Countries — Sales and Operations in the Sanctioned Countries — Iran" for further details in respect of the above.

None of the above contracts of CNR involving Iran, Cuba, Sudan, Myanmar, Iraq and Liberia has been known to be subject to sanctions against CNR. The counterparties to these contracts are independent third parties. Except for the government- owned railway entity in Sudan, none of the counterparties to these contracts are on the Specially Designated Nationals List of OFAC, nor are such counterparties other restricted persons as listed by the U.S., European Union, Australia and the United Nations, and therefore will not be deemed as target of sanctions. No U.S. persons or U.S. origin items are involved in transactions with the government-owned railway entity in Sudan. The sales and exportation activities under these contracts by CNR do not involve industries or areas specifically sanctioned by the U.S., European Union, Australia or the United Nations, and would not be deemed as activities prohibited by relevant laws and regulations of sanctions.

CNR's Revenue in Sanctioned Countries and Percentage of its Total Revenue

Sanctioned Countries	2011	2012	2013	31 October 2014
Iran	RMB1,865.0 million/2.10%	RMB874.7 million/0.95%	RMB497.7 million/0.51%	RMB637.0 million/0.86%
Cuba	—	—	RMB32.7 million/0.034%	RMB8.9 million/0.012%
Sudan	—	RMB0.3 million/0.0003%	RMB7.9 million/0.0081%	RMB22.9 million/0.0308%
Burma	RMB5.3 million/0.0059%	RMB0.4 million/0.00045%	RMB22.2 million/0.0229%	RMB0.8 million/0.0000%
Iraq	—	RMB30.7 million/0.0334%	—	—
Liberia	RMB10.8 million/0.0122%	RMB12.0 million/0.0131%	RMB2.4 million/0.0025%	—

2 CNR'S UNDERTAKINGS AND INTERNAL CONTROL PROCEDURES

During its application for the listing of CNR H Shares, CNR undertook to the Hong Kong Stock Exchange that it will not use the proceeds from the global offering, as well as other funds raised through the Hong Kong Stock Exchange, to finance or facilitate, directly or indirectly, or for the benefit of financing or facilitating, activities or business with individual or entity sanctioned by any Sanctioned Countries (including, without limitation, any government, individual or entity that is the subject of any OFAC sanctions) (hereinafter, the "**Sanctioned Business**"). In addition, CNR undertook to the Hong Kong Stock Exchange that it will not enter into sanctionable transactions that would expose CNR or relevant persons to risks of being sanctioned. Following the completion of the Merger, these undertakings will apply to the Post-Merger New Company.

In addition, CNR has taken the following measures of internal risk control:

- Monitor and regulate the use of the net proceeds of the global offering as well as any other funds raised through the Hong Kong Stock Exchange, and ensure that such proceeds and funds are not being used for or applied to or will not be used for or applied to any Sanctioned Business.

- Establish an overseas risk control committee (the "**CNR Overseas Risk Control Committee**"). The responsibilities of the CNR Overseas Risk Control Committee include monitoring and minimizing CNR's exposure to sanctions law risks, implementation and monitoring of the related internal control procedures and CNR's compliance with its undertakings to the Hong Kong Stock Exchange. Members of the relevant committee will include chairman of the committee: Xi Guohua, executive director and president of CNR; vice chairman of the committee: Gao Zhi, vice president in charge of legal affairs of CNR, and Yu Weiping, vice president in charge of overseas business of CNR; and members of the committee: Cao Guobing, general manager of Overseas Affairs Department of CNR, Wei Dong, chief of CNR's Board Office, Wang Jian, director of Financial Department of CNR, and Chen Xiaoyi, director of Legal Affairs Department of CNR. The CNR Overseas Risk Control Committee will hold at least four meetings each year to monitor exposure to sanctions risks.

- Set up an overseas risk control and management working group under the CNR Overseas Risk Control Committee to control and manage overseas risks. Members of the relevant group will comprise the group leader: Chen Dayong, the general manager of Overseas Affair Department of CNR, members of the group: Ju Yingle, the project manager of Overseas Affairs Department of CNR, the director of sanctioned country projects of Overseas Affairs Department of CNR, Nie Yachao, the business controller of Legal Affairs Department of CNR, and deputy general managers of CNR's subsidiaries in charge of overseas business.

3 OVERSEAS RISK CONTROL MEASURES TO BE ADOPTED BY THE POST- MERGER NEW COMPANY

In addition to the measures of risk control mentioned above, the Post-Merger New Company will also put in place the following internal control policies and procedures to control sanctions risks:

- The overseas risk control and management working group of the Post-Merger New Company (the "**Overseas Risk Control Working Group**") needs to review and approve new business opportunities according to the Post-Merger New Company's internal control policies to determine whether such business involves any Sanctioned Business. In particular, to determine whether the counterparty is, or is owned or controlled by, a person located in a sanctioned country or a sanctioned person. In addition, the Post-Merger New Company will aim to include provisions in its contracts that permit it to terminate a specific contract if performance of the contract could expose it to sanctions risks.

- In addition, the Overseas Risk Control Working Group needs to periodically review the Post-Merger New Company's overseas contracts and if an overseas contract is updated or amended, it needs to check that the business activities carried out under the updated or amended contract do not fall within the scope of industries or activities subject to sanctions, and the Post-Merger New Company will not face any potential legal or reputational risk due to its involvement in such business activities.

- To minimize the sanction risk of business activities, the Overseas Risk Control Working Group needs to (i) check and prevent U.S. persons, E.U. citizens or E.U. based companies and Australian person from becoming involved in relevant business activities; and (ii) particularly in respect of Iran, monitor new sanctions laws or any change to the existing sanctions laws to confirm that the existing business activities of the Post-Merger New Company do not violate any latest applicable sanction laws; and (iii) check and ensure that relevant employees who are involved in business in the sanctioned countries understand and comply with the internal control rules of the Post-Merger New Company.

- The Overseas Risk Control Working Group will provide a quarterly status report for the review by the overseas risk control committee of the Post-Merger New Company (the "**Overseas Risk Control Committee**") review, which will include an updated list of sanctioned countries and sanctioned persons and a list of projects which contracts have been reviewed by the legal department.

- If the Overseas Risk Control Working Group identifies any potential sanctions risk, it will seek advice from reputable external international legal counsel with relevant expertise and experiences and, based on the advice of such external international legal counsel, report to the Overseas Risk Control Committee, who will then evaluate whether to continue existing business or whether to veto any new business opportunities that may involve sanctions risk. When evaluating whether to continue existing business and ongoing business in the sanctioned countries, the major parameters or criteria that the Overseas Risk Control Committee would take into consideration include: (i) whether such business constitutes a predominant portion of the Post-Merger New Company based on the revenue or value of the contract as a percentage of its total revenue; (ii) sanctions based on any changes in applicable sanction laws and regulations, whether the counterparties to the existing transaction have become subject to any economic or whether the relevant business activities involve any industries or sectors that are subject to any economic sanctions; and (iii) the potential legal and reputational risk of continuing relevant activities. The Overseas Risk Control Committee would also take into consideration similar parameters and criteria when determining whether to embark on new business opportunities in the sanctioned countries.

- If the Post-Merger New Company believes that any transaction would put it or relevant person to risks of being sanctioned on the internal control measures described above, the Overseas Risk Control Committee will give instructions of not entering into such transaction.

- The Post-Merger New Company will retain external international legal counsel with relevant expertise and experience in sanctions law matters on an ongoing basis to provide it with recommendations and advice on internal control policies and procedures with respect to sanctions law matters.

- The Overseas Risk Control Working Group will invite external international legal counsel to provide regular training programs relating to relevant sanctions laws to the Post-Merger New Company's directors, senior management, Overseas Risk Control Committee, Overseas Risk Control Working Group and other relevant members of the overseas business department and subsidiaries who are involved in its business in the sanctioned countries to assist them in evaluating the potential sanctions risks in daily operations.

1 RESPONSIBILITY STATEMENT

As at the date of this circular, CSR's Board comprises Mr. Zheng Changhong, Mr. Liu Hualong and Mr. Fu Jianguo as executive directors, Mr. Liu Zhiyong as non-executive director, and Mr. Li Guo'an, Mr. Wu Zhuo and Mr. Chan Ka Keung, Peter as independent non-executive directors. The CSR Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than in relation to CNR Group and CNRG) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the directors of CNR) have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any of the statements in this circular misleading.

As at the date of this circular, CNR's Board comprises Mr. Xi Guohua as executive director, Mr. Cui Dianguo and Mr. Wan Jun as non-executive directors, and Mr. Li Fenghua, Mr. Zhang Zhong, Ms. Shao Ying and Mr. Sun Patrick as independent non-executive directors. The CNR Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than in relation to CSR Group and CSRG) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the directors of CSR) have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any of the statements in this circular misleading.

2 SHARE CAPITAL

(1) In respect of CSR

(a) As at the Latest Practicable Date, the authorised and issued share capital of CSR were as follows:

The registered capital of CSR is RMB13,803,000,000, consisting of 2,024,000,000 H shares of par value RMB1.00 each, and 11,779,000,000 A shares of par value RMB1.00 each. As at the Latest Practicable Date, the share capital of CSR was fully issued and fully paid up.

(b) All CSR Shares rank *pari passu* in all respects as regards rights to capital, dividends and voting.

(c) From 31 December 2014 (i.e., the date on which CSR's previous financial year ends) to the Latest Practicable Date, CSR did not issue or redeem any CSR Shares.

(d) As at the Latest Practicable Date, there were 11,766,546 CSR outstanding A Shares options under the CSR Share Option Scheme. If all of such CSR share options are exercised, a total of 11,766,546 CSR A Shares will be issued. These CSR share options were granted pursuant to the CSR Share Option Scheme on 27 April 2011, have an exercise price of RMB5.43, and may be exercised from 27 April 2015 to 26 April 2018.

(e) Save for the CSR Shares and CSR share options granted under the CSR Share Option Scheme, CSR does not have other share options, derivatives, warrants or any other securities which are convertible or exchangeable into CSR Shares.

(f) There has been no reorganisation of the capital of CSR during the two financial years preceding the date of the Joint Announcement.

(2) In respect of CNR

(a) As at the Latest Practicable Date, the authorised and issued share capital of CNR were as follows:

The registered capital of CNR is RMB12,259,780,303.00, consisting of 2,133,696,400 H shares of par value RMB1.00 each, and 10,126,083,903 A shares of par value RMB1.00 each. As at the Latest Practicable Date, the share capital of CNR was fully issued and fully paid up.

(b) All CNR Shares rank *pari passu* in all respects as regards rights to capital, dividends and voting.

(c) From 31 December 2014 (i.e., the date on which CNR's previous financial year ends) to the Latest Practicable Date, CNR did not issue any CNR Share.

(d) As at the Latest Practicable Date, there were 57,173,445 outstanding CNR A Shares options under the CNR Share Option Scheme. If all of such CNR share options are exercised, a total of 57,173,445 CNR A Shares will be issued. These CNR share options were issued pursuant to the CNR Share Option Scheme. The CNR share options granted pursuant to the CNR Share Option Scheme on 1 November 2012, of which 57,173,445 CNR share options were outstanding as at the Latest Practicable Date, have an exercise price of RMB4.04 and may be exercised from 1 November 2016 to 1 November 2019.

(e) Save for the CNR Shares and share options granted under the CNR Share Option Scheme, CNR does not have no other share options, derivatives, warrants or any other securities which are convertible or exchangeable into CNR Shares.

(f) There has been no reorganisation of the capital of CNR during the two financial years preceding the date of the Joint Announcement.

3 MARKET PRICES

(1) In respect of CSR

The table below shows the closing prices of the CSR H Shares as quoted on the Hong Kong Stock Exchange (i) on the Latest Practicable Date; (ii) on the Last Trading Date; and (iii) at the end of each of the calendar months during the Relevant Period:

Date	**Closing Price for each CSR H Share** *(HK$)*
30 June 2014	5.83
31 July 2014	7.00
31 August 2014	6.99
30 September 2014	6.83
24 October 2014 (Last Trading Date)	7.89
30 October 2014	7.89*(Note 1)*
30 November 2014	7.89*(Note 1)*
31 December 2014	10.44
16 January 2015 (Latest Practicable Date)	10.44

Note:

(1) This is the closing price on the Last Trading Date. CSR H Shares were suspended from trading on the Hong Kong Stock Exchange from 9 a.m. on 27 October 2014 and resumed trading at 9 a.m. on 31 December 2014.

During the Relevant Period, the highest closing price of the CSR H Shares as quoted on the Hong Kong Stock Exchange was HK$12.32 each on 2 January 2015 and the lowest closing price of the CSR H Shares as quoted on the Hong Kong Stock Exchange was HK$5.83 each on 30 June 2014.

(2) In respect of CNR

The table below shows the closing prices of the CNR H Shares as quoted on the Hong Kong Stock Exchange (i) on the Latest Practicable Date; (ii) on the Last Trading Date; and (iii) at the end of each of the calendar months during the Relevant Period:

Date	**Closing Price for each CNR H Share** *(HK$)*
30 June 2014	5.20
31 July 2014	6.50
31 August 2014	6.55
30 September 2014	6.71
24 October 2014 (Last Trading Date)	7.66
30 October 2014	7.66*(Note 1)*
30 November 2014	7.66*(Note 1)*
31 December 2014	11.12
16 January 2015 (Latest Practicable Date)	11.00

Note:

(1) This is the closing price on the Last Trading Date. CNR H Shares were suspended from trading on the Hong Kong Stock Exchange from 9 a.m. on 27 October 2014 and resumed trading at 9 a.m. on 31 December 2014.

During the Relevant Period, the highest closing price of the CNR H Shares as quoted on the Hong Kong Stock Exchange was HK$12.94 each on 2 January 2015 and the lowest closing price of the CNR H Shares as quoted on the Hong Kong Stock Exchange was HK$5.20 each on 30 June 2014.

4 DISCLOSURE OF INTERESTS IN AND DEALINGS IN CSR SECURITIES AND CNR SECURITIES BY CSR

(1) Disclosure of Interests in CSR Securities by CSR

Directors, supervisors and chief executive

As at the Latest Practicable Date, the directors, supervisors and chief executive of CSR have the following CSR share options under the CSR Share Option Scheme:

Name	Position	Class of Securities	Number of Share Options Held
Zheng Changhong	Chairman, Executive director	A shares	66,666
Liu Hualong	Executive director, President	A shares	56,666
Fu Jianguo	Executive director	A shares	56,666

As at the Latest Practicable Date, the directors, supervisors and chief executive of CSR held the following CSR A Shares in the issued share capital of CSR:

Name	Position	Class of Securities	Date of Purchase	Number of CSR A Shares Held
Zheng Changhong	Chairman, Executive director	A shares	12 August 2011	60,000
Liu Hualong	Executive director, President	A shares	12 August 2011	50,000
Fu Jianguo	Executive director	A shares	12 August 2011	50,000
Wang Yan	Chairman of the supervisory committee	A shares	15 August 2011	30,000
Qiu Wei	Employee representative supervisor	A shares	15 August 2011	30,000

Note: The persons listed above also hold positions with CSRG. Zheng Changhong is the general manager of CSRG and deputy secretary of the Party Committee of CSRG; Liu Hualong is the secretary of the Party Committee of CSRG; Fu Jianguo is a standing member of the Party Committee of CSRG; Wang Yan is assistant to the general manager of CSRG and director of Assets Management Centre of CSRG; and Qiu Wei is vice-chairman of the Labour Union of CSRG.

Save as disclosed above, as at the Latest Practicable Date, none of the CSR Directors, CSR's supervisors or CSR's chief executive had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of CSR and/or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to CSR and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or (ii) which are required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or (iii) which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to CSR and the Hong Kong Stock Exchange. As at the Latest Practicable Date, neither CSR nor any CSR Director had borrowed or lent any CSR Securities.

Substantial Shareholders

To the knowledge of the CSR Directors, as at the Latest Practicable Date, save for the CSR Directors, CSR's supervisors or CSR's chief executive, the persons below either had interests and/or short positions in the shares or underlying shares of CSR (as the case may be) which were required to be notified to CSR and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or held interests representing 5% or more interests in the then CSR's issued share capital of any class:

Name of Shareholders	**Capacity**	**CSR H Shares or CSR A Shares**	**Nature of Interests**	**Number of CSR H Shares or CSR A Shares Held**	**Percentage of CSR H Shares or CSR A Shares Held in Total Issued CSR H Shares or Total Issued CSR A Shares (%)**
CSRG[(1)]	Beneficial owner	A shares	Long position	7,796,321,142	66.19
	Interest of corporate controlled by the substantial shareholder	A shares	Long position	93,085,715	0.79

Name of Shareholders	Capacity	CSR H Shares or CSR A Shares	Nature of Interests	Number of CSR H Shares or CSR A Shares Held	Percentage of CSR H Shares or CSR A Shares Held in Total Issued CSR H Shares or Total Issued CSR A Shares (%)
JPMorgan Chase & Co.	Beneficial owner/ Investment manager/ Custodian-corporation/ Approved lending agent	H shares	Long position	268,872,334	13.28
	Beneficial owner		Short position	31,142,743	1.53
	Custodian-corporation/ Approved Lending agent		Lending pool	193,870,481	9.57
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H shares	Long position	166,951,098	8.25
	Interest of corporation controlled by the substantial shareholder		Short position	105,000	0.01
Templeton Investment Counsel, LLC	Investment manager	H shares	Long position	121,763,300	6.02
Plowden, Charles	Interest of corporation controlled by the substantial shareholder	H shares	Long position	101,793,000	5.03

Notes:

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

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

Save as disclosed in paragraph 4(1) above, as at the Latest Practicable Date, to the knowledge of the CSR Directors, there was no other person having interests or short positions in the shares or underlying shares of CSR (as the case may be) which were required to be notified to CSR and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

CSR Concert Parties

As at the Latest Practicable Date, the below parties acting in concert with CSR own or control the following CSR Securities:

Name	Class of Securities	Number of CSR Securities to which the class relates	Approximate percentage of relevant class of total issued share capital of CSR
BofAML Group	CSR H Shares	1,465,472	0.07% of total issued CSR H Shares
BofAML Group	CSR H Shares Derivatives	650,000	0.03% of total CSR H Shares
BofAML Group	CSR A Shares	4,945,391	0.04% of total issued CSR A Shares
BofAML Group	CSR A Shares Derivatives	17,600,000	0.14% of total issued CSR A Shares
CICC Group	CSR H Shares	62,000	0.003% of total issued CSR H Shares
CICC Group	CSR A Shares	3,229,148	0.03% of total issued CSR A Shares

Save as disclosed above in paragraph 4(1), as at the Latest Practicable Date,:

(i) no party acting in concert with CSR (excluding those entities in the BofAML Group that are exempt principal traders or exempt fund managers) own or control, or borrowed or lent, any CSR Securities;

(ii) no person who owned CSR Securities or person who controlled such person had, prior to the dispatch of this document, given irrevocable undertakings to CSR, to vote in favour of the Merger at the CSR EGM;

(iii) no person who had an arrangement relating to CSR Securities of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CSR or with any person acting in concert with CSR owned or controlled CSR Securities; and

(iv) there are no arrangements of the kind referred to in the third paragraph of note 8 to Rule 22 of the Takeovers Code between a person acting in concert with CSR and CSR.

(2) Disclosure of Dealings in CSR Securities by CSR

(i) During the Relevant Period, neither CSR nor any of the CSR Directors had dealt for value in any CSR Securities.

(ii) During the Relevant Period, the following parties acting in concert with CSR had dealt for value in the CSR Securities:

(A) **CICC Group**

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Limited (Asset Management)	12 August 2014	Buy	CSR A Shares	900	RMB5.17
China International Capital Corporation Limited (Asset Management)	19 August 2014	Buy	CSR A Shares	400	RMB5.19
China International Capital Corporation Limited (Asset Management)	26 August 2014	Buy	CSR A Shares	2,200	RMB5.08
China International Capital Corporation Limited (Asset Management)	26 August 2014	Buy	CSR A Shares	8,100	RMB5.07
China International Capital Corporation Limited (Asset Management)	2 September 2014	Buy	CSR A Shares	8,600	RMB5.13
China International Capital Corporation Limited (Asset Management)	10 September 2014	Buy	CSR A Shares	39,900	RMB5.38
China International Capital Corporation Limited (Asset Management)	10 September 2014	Buy	CSR A Shares	73,300	RMB5.35

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Limited (Asset Management)	15 September 2014	Sell	CSR A Shares	391	RMB5.29
China International Capital Corporation Limited (Asset Management)	16 September 2014	Sell	CSR A Shares	76	RMB5.27
China International Capital Corporation Limited (Asset Management)	16 September 2014	Sell	CSR A Shares	72	RMB5.27
China International Capital Corporation Limited (Asset Management)	16 September 2014	Sell	CSR A Shares	756	RMB5.3
China International Capital Corporation Limited (Asset Management)	16 September 2014	Sell	CSR A Shares	73,300	RMB5.33
China International Capital Corporation Limited (Asset Management)	17 September 2014	Sell	CSR A Shares	39,900	RMB5.26
China International Capital Corporation Limited (Asset Management)	22 September 2014	Sell	CSR A Shares	252	RMB5.18
China International Capital Corporation Limited (Asset Management)	24 September 2014	Sell	CSR A Shares	597	RMB5.11
China International Capital Corporation Limited (Asset Management)	24 September 2014	Buy	CSR A Shares	8,200	RMB5.19
China International Capital Corporation Limited (Asset Management)	25 September 2014	Sell	CSR A Shares	263	RMB5.28
China International Capital Corporation Limited (Asset Management)	25 September 2014	Buy	CSR A Shares	3,200	RMB5.3
China International Capital Corporation Limited (Asset Management)	25 September 2014	Buy	CSR A Shares	16,000	RMB5.31
China International Capital Corporation Limited (Asset Management)	29 September 2014	Sell	CSR A Shares	671	RMB5.24
China International Capital Corporation Limited (Asset Management)	29 September 2014	Sell	CSR A Shares	173	RMB5.24

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Limited (Asset Management)	30 September 2014	Sell	CSR A Shares	787	RMB5.25
China International Capital Corporation Limited (Asset Management)	30 September 2014	Sell	CSR A Shares	246	RMB5.25
China International Capital Corporation Limited (Asset Management)	9 October 2014	Sell	CSR A Shares	1,555	RMB5.3
China International Capital Corporation Limited (Asset Management)	14 October 2014	Sell	CSR A Shares	469	RMB5.29
China International Capital Corporation Limited (Asset Management)	14 October 2014	Sell	CSR A Shares	4,423	RMB5.27
China International Capital Corporation Limited (Asset Management)	14 October 2014	Sell	CSR A Shares	920	RMB5.3
China International Capital Corporation Limited (Asset Management)	14 October 2014	Sell	CSR A Shares	494	RMB5.3
China International Capital Corporation Limited (Asset Management)	17 October 2014	Buy	CSR A Shares	48,200	RMB5.64
China International Capital Corporation Limited (Asset Management)	21 October 2014	Buy	CSR A Shares	535,300	RMB5.65
China International Capital Corporation Limited (Asset Management)	21 October 2014	Buy	CSR A Shares	871,000	RMB5.65
China International Capital Corporation Limited (Asset Management)	21 October 2014	Buy	CSR A Shares	173,000	RMB5.69
China International Capital Corporation Limited (Asset Management)	21 October 2014	Buy	CSR A Shares	39,700	RMB5.7
China International Capital Corporation Limited (Asset Management)	21 October 2014	Sell	CSR A Shares	560	RMB5.66
China International Capital Corporation Limited (Asset Management)	21 October 2014	Sell	CSR A Shares	61,366	RMB5.64

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Limited (Asset Management)	23 October 2014	Sell	CSR A Shares	3,371	RMB5.96
China International Capital Corporation Limited (Asset Management)	23 October 2014	Sell	CSR A Shares	1,797	RMB5.97
China International Capital Corporation Limited (Asset Management)	24 October 2014	Buy	CSR A Shares	1,488,000	RMB6.11
China International Capital Corporation Limited (Asset Management)	24 October 2014	Buy	CSR A Shares	62,700	RMB6.11
China International Capital Corporation Limited (Asset Management)	24 October 2014	Buy	CSR A Shares	5,700	RMB5.92
China Internation Capital Corporation Limited	1 July 2014	Sell	CSR A Shares	8,125	RMB4.52
China Internation Capital Corporation Limited	1 July 2014	Sell	CSR A Shares	10,156	RMB4.48
China Internation Capital Corporation Limited	1 July 2014	Sell	CSR A Shares	10,156	RMB4.51
China Internation Capital Corporation Limited	1 July 2014	Sell	CSR A Shares	10,157	RMB4.51
China Internation Capital Corporation Limited	2 July 2014	Sell	CSR A Shares	16,454	RMB4.53
China Internation Capital Corporation Limited	2 July 2014	Sell	CSR A Shares	16,453	RMB4.54
China Internation Capital Corporation Limited	2 July 2014	Sell	CSR A Shares	16,453	RMB4.55
China Internation Capital Corporation Limited	3 July 2014	Sell	CSR A Shares	3,400	RMB4.57
China Internation Capital Corporation Limited	3 July 2014	Sell	CSR A Shares	23,035	RMB4.57
China Internation Capital Corporation Limited	3 July 2014	Sell	CSR A Shares	23,035	RMB4.59
China Internation Capital Corporation Limited	3 July 2014	Sell	CSR A Shares	23,036	RMB4.58
China Internation Capital Corporation Limited	3 July 2014	Sell	CSR A Shares	3,400	RMB4.58
China Internation Capital Corporation Limited	3 July 2014	Sell	CSR A Shares	23,035	RMB4.58
China Internation Capital Corporation Limited	3 July 2014	Sell	CSR A Shares	23,035	RMB4.58
China Internation Capital Corporation Limited	23 July 2014	Buy	CSR A Shares	26,800	RMB5.04

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China Internation Capital Corporation Limited	23 July 2014	Buy	CSR A Shares	28,200	RMB5.04
China Internation Capital Corporation Limited	23 July 2014	Buy	CSR A Shares	28,500	RMB5.04
China Internation Capital Corporation Limited	23 July 2014	Buy	CSR A Shares	26,800	RMB5.03
China Internation Capital Corporation Limited	23 July 2014	Buy	CSR A Shares	25,500	RMB5.04
China Internation Capital Corporation Limited	23 July 2014	Buy	CSR A Shares	33,500	RMB5.04
China Internation Capital Corporation Limited	23 July 2014	Buy	CSR A Shares	28,100	RMB5.04
China Internation Capital Corporation Limited	23 July 2014	Buy	CSR A Shares	10,900	RMB5.03
China Internation Capital Corporation Limited	28 July 2014	Sell	CSR A Shares	30,800	RMB5.22
China Internation Capital Corporation Limited	28 July 2014	Sell	CSR A Shares	30,800	RMB5.22
China Internation Capital Corporation Limited	28 July 2014	Sell	CSR A Shares	27,500	RMB5.22
China Internation Capital Corporation Limited	28 July 2014	Sell	CSR A Shares	28,700	RMB5.22
China Internation Capital Corporation Limited	28 July 2014	Sell	CSR A Shares	25,200	RMB5.22
China Internation Capital Corporation Limited	28 July 2014	Sell	CSR A Shares	29,400	RMB5.21
China Internation Capital Corporation Limited	28 July 2014	Sell	CSR A Shares	395	RMB5.21
China Internation Capital Corporation Limited	28 July 2014	Sell	CSR A Shares	31,700	RMB5.22
China Internation Capital Corporation Limited	29 July 2014	Sell	CSR A Shares	3,805	RMB5.2
China Internation Capital Corporation Limited	9 September 2014	Buy	CSR A Shares	2,300	RMB5.3
China Internation Capital Corporation Limited	9 September 2014	Buy	CSR A Shares	2,400	RMB5.34
China Internation Capital Corporation Limited	25 September 2014	Buy	CSR A Shares	6,100	RMB5.28
China Internation Capital Corporation Limited	25 September 2014	Buy	CSR A Shares	30,600	RMB5.28
China Internation Capital Corporation Limited	25 September 2014	Buy	CSR A Shares	27,600	RMB5.29
China Internation Capital Corporation Limited	25 September 2014	Buy	CSR A Shares	3,000	RMB5.29

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China Internation Capital Corporation Limited	25 September 2014	Buy	CSR A Shares	30,600	RMB5.25
China Internation Capital Corporation Limited	29 September 2014	Sell	CSR A Shares	2,300	RMB5.25
China Internation Capital Corporation Limited	29 September 2014	Sell	CSR A Shares	2,400	RMB5.23
China Internation Capital Corporation Limited	8 October 2014	Sell	CSR A Shares	24,475	RMB5.3
China Internation Capital Corporation Limited	8 October 2014	Sell	CSR A Shares	24,475	RMB5.28
China Internation Capital Corporation Limited	8 October 2014	Sell	CSR A Shares	24,400	RMB5.28
China Internation Capital Corporation Limited	8 October 2014	Sell	CSR A Shares	75	RMB5.28
China Internation Capital Corporation Limited	9 October 2014	Sell	CSR A Shares	24,475	RMB5.28
China Internation Capital Corporation Limited	10 October 2014	Buy	CSR A Shares	6,100	RMB5.24
China Internation Capital Corporation Limited	10 October 2014	Buy	CSR A Shares	6,100	RMB5.25
China Internation Capital Corporation Limited	10 October 2014	Buy	CSR A Shares	6,100	RMB5.22
China Internation Capital Corporation Limited	10 October 2014	Buy	CSR A Shares	6,100	RMB5.22
China Internation Capital Corporation Limited	13 October 2014	Buy	CSR A Shares	3,000	RMB5.22
China Internation Capital Corporation Limited	13 October 2014	Buy	CSR A Shares	3,000	RMB5.2
China Internation Capital Corporation Limited	13 October 2014	Buy	CSR A Shares	3,000	RMB5.19
China Internation Capital Corporation Limited	13 October 2014	Buy	CSR A Shares	3,000	RMB5.2
China Internation Capital Corporation Limited	17 October 2014	Sell	CSR A Shares	67	RMB5.81
China Internation Capital Corporation Limited	21 October 2014	Sell	CSR A Shares	100	RMB5.65
China Internation Capital Corporation Limited	21 October 2014	Sell	CSR A Shares	100	RMB5.64
CICC Financial Products Ltd.	10 July 2014	Sell	CSR H Shares	80,000	HK$6.7
CICC Financial Products Ltd.	11 July 2014	Borrow	CSR H Shares	80,000	
CICC Financial Products Ltd.	16 July 2014	Sell	CSR H Shares	127,000	HK$6.65

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
CICC Financial Products Ltd.	17 July 2014	Borrow	CSR H Shares	127,000	
CICC Financial Products Ltd.	18 July 2014	Sell	CSR H Shares	158,000	HK$6.64
CICC Financial Products Ltd.	21 July 2014	Borrow	CSR H Shares	158,000	
CICC Financial Products Ltd.	23 July 2014	Buy	CSR H Shares	157,000	HK$6.86
CICC Financial Products Ltd.	24 July 2014	Return	CSR H Shares	157,000	
CICC Financial Products Ltd.	25 July 2014	Buy	CSR H Shares	187,000	HK$7.06
CICC Financial Products Ltd.	28 July 2014	Buy	CSR H Shares	21,000	HK$6.95
CICC Financial Products Ltd.	28 July 2014	Return	CSR H Shares	187,000	
CICC Financial Products Ltd.	29 July 2014	Return	CSR H Shares	21,000	
CICC Financial Products Ltd.	4 August 2014	Buy	CSR H Shares	14,000	HK$7.1
CICC Financial Products Ltd.	26 August 2014	Buy	CSR H Shares	3,000	HK$6.95
CICC Financial Products Ltd.	27 August 2014	Buy	CSR H Shares	2,000	HK$7.02
CICC Financial Products Ltd.	5 September 2014	Buy	CSR H Shares	5,000	HK$7.21
CICC Financial Products Ltd.	16 September 2014	Sell	CSR H Shares	24,000	HK$7
CICC Financial Products Ltd.	9 October 2014	Sell	CSR H Shares	137,000	HK$7.22
CICC Financial Products Ltd.	10 October 2014	Borrow	CSR H Shares	137,000	
CICC Financial Products Ltd.	23 October 2014	Buy	CSR H Shares	137,000	HK$7.91
CICC Financial Products Ltd.	24 October 2014	Return	CSR H Shares	137,000	
CICC Financial Trading Limited	9 July 2014	Return	CSR H Shares	140,000	N.A.
CICC Financial Trading Limited	24 July 2014	Borrow	CSR H Shares	10,000	N.A.
CICC Financial Trading Limited	24 July 2014	Sell	CSR H Shares	10,000	HK$6.99
CICC Financial Trading Limited	25 July 2014	Borrow	CSR H Shares	5,000	N.A.

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
CICC Financial Trading Limited	25 July 2014	Sell	CSR H Shares	5,000	HK$7.01
CICC Financial Trading Limited	28 July 2014	Borrow	CSR H Shares	5,000	N.A.
CICC Financial Trading Limited	28 July 2014	Sell	CSR H Shares	5,000	HK$7.01
CICC Financial Trading Limited	1 August 2014	Sell	CSR H Shares	6,000	HK$7.1
CICC Financial Trading Limited	1 August 2014	Buy	CSR H Shares	6,000	HK$6.93
CICC Financial Trading Limited	4 August 2014	Borrow	CSR H Shares	5,000	N.A.
CICC Financial Trading Limited	4 August 2014	Sell	CSR H Shares	5,000	HK$7.06
CICC Financial Trading Limited	6 August 2014	Borrow	CSR H Shares	5,000	N.A.
CICC Financial Trading Limited	6 August 2014	Sell	CSR H Shares	5,000	HK$7.12
CICC Financial Trading Limited	12 August 2014	Buy	CSR H Shares	9,000	HK$7.25
CICC Financial Trading Limited	13 August 2014	Borrow	CSR H Shares	8,000	N.A.
CICC Financial Trading Limited	13 August 2014	Sell	CSR H Shares	8,000	HK$7.23
CICC Financial Trading Limited	13 August 2014	Sell	CSR H Shares	9,000	HK$7.24
CICC Financial Trading Limited	28 August 2014	Borrow	CSR H Shares	8,000	N.A.
CICC Financial Trading Limited	28 August 2014	Sell	CSR H Shares	8,000	HK$6.92
CICC Financial Trading Limited	29 August 2014	Borrow	CSR H Shares	6,000	N.A.
CICC Financial Trading Limited	29 August 2014	Sell	CSR H Shares	6,000	HK$6.96
CICC Financial Trading Limited	3 September 2014	Borrow	CSR H Shares	9,000	N.A.
CICC Financial Trading Limited	3 September 2014	Sell	CSR H Shares	9,000	HK$7.11
CICC Financial Trading Limited	15 September 2014	Sell	CSR H Shares	8,000	HK$7.13
CICC Financial Trading Limited	15 September 2014	Sell	CSR H Shares	8,000	HK$7.13
CICC Financial Trading Limited	15 September 2014	Borrow	CSR H Shares	8,000	N.A.

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
CICC Financial Trading Limited	15 September 2014	Borrow	CSR H Shares	8,000	N.A.
CICC Financial Trading Limited	16 September 2014	Sell	CSR H Shares	9,000	HK$7.05
CICC Financial Trading Limited	16 September 2014	Borrow	CSR H Shares	9,000	N.A.
CICC Financial Trading Limited	14 October 2014	Buy	CSR H Shares	5,000	HK$7.01
CICC Financial Trading Limited	16 October 2014	Return	CSR H Shares	5,000	N.A.

(B) **BofAML Group**

Date	Description of relevant securities	Type of transaction	No of securities	Max Price	Min Price	Currency
30 June 2014 - 4 July 2014	CSR ADR	Buy	229	18.85	18.85	USD
14 July 2014 - 18 July 2014	CSR ADR	Buy	100	21.53	21.53	USD
21 July 2014 - 25 July 2014	CSR ADR	Buy	120	23	23	USD
29 July 2014	CSR A Shares	Buy	888,800	5.19	5.19	RMB
30 July 2014	CSR A Shares	Buy	1,297,400	5.15	5.11	RMB
30 July 2014	CSR H Shares	Buy	1,954,000	7.03	7.02	HK$
30 July 2014	CSR H Shares	Sell	2,000,000	7.02	7.02	HK$
31 July 2014	CSR A Shares	Buy	202,000	5.14	5.14	RMB
31 July 2014	CSR H Shares	Buy	46,000	7.02	7.02	HK$
1 August 2014	CSR A Shares	Buy	242,400	5.18	5.18	RMB
1 August 2014	CSR H Shares	Buy	2,091,000	6.96	6.94	HK$
1 August 2014	CSR H Shares	Sell	2,091,000	6.95	6.91	HK$
4 August 2014	CSR A Shares	Buy	80,800	5.35	5.35	RMB
5 August 2014	CSR H Shares	Sell	21,000	7.25	7.25	HK$
6 August 2014	CSR H Shares	Buy	28	7.25	7.25	HK$
6 August 2014	CSR H Shares	Sell	28	7.20	7.20	HK$
8 August 2014	CSR H Shares	Buy	46,000	7.02	7.00	HK$
8 August 2014	CSR H Shares	Sell	46,000	7.02	7.02	HK$
12 August 2014	CSR A Shares	Buy	60,600	5.16	5.16	RMB
14 August 2014	CSR H Shares	Buy	9,000	7.17	7.17	HK$
14 August 2014	CSR H Shares	Sell	9,000	7.17	7.17	HK$
15 August 2014	CSR H Shares	Buy	19,000	7.16	7.14	HK$
15 August 2014	CSR H Shares	Sell	19,000	7.15	7.15	HK$
20 August 2014	CSR H Shares	Sell	6,000	7.09	7.09	HK$

Date	Description of relevant securities	Type of transaction	No of securities	Max Price	Min Price	Currency
21 August 2014	CSR H Shares	Buy	142,000	7.09	7.07	HK$
21 August 2014	CSR H Shares	Sell	142,000	7.09	7.09	HK$
27 August 2014	CSR H Shares	Sell	28,000	6.98	6.98	HK$
28 August 2014	CSR A Shares	Sell	346,600	5.04	5.04	RMB
29 August 2014	CSR H Shares	Buy	194,000	7.03	7.01	HK$
29 August 2014	CSR H Shares	Sell	200,000	7.00	6.97	HK$
3 September 2014	CSR A Shares	Buy	202,000	5.23	5.23	RMB
3 September 2014	CSR H Shares	Sell	14,000	7.13	7.11	HK$
8 September 2014	CSR H Shares	Buy	1,522,000	7.26	7.26	HK$
8 September 2014	CSR H Shares	Sell	1,522,000	7.15	7.02	HK$
10 September 2014	CSR H Shares	Buy	3,000	7.19	7.16	HK$
10 September 2014	CSR H Shares	Sell	14,000	7.13	7.13	HK$
11 September 2014	CSR H Shares	Buy	1,000	7.22	7.22	HK$
11 September 2014	CSR H Shares	Sell	1,000	7.24	7.24	HK$
12 September 2014	CSR H Shares	Sell	2,000	7.15	7.11	HK$
18 September 2014	CSR H Shares	Buy	77,000	7.09	7.06	HK$
18 September 2014	CSR H Shares	Sell	957	7.23	7.23	HK$
19 September 2014	CSR H Shares	Buy	932,000	7.01	6.99	HK$
19 September 2014	CSR H Shares	Sell	932,000	7.02	6.99	HK$
22 September 2014	CSR H Shares	Buy	70,000	7.04	7.02	HK$
24 September 2014	CSR H Shares	Buy	48,000	6.98	6.88	HK$
25 September 2014	CSR A Shares	Buy	186,000	5.29	5.29	RMB
25 September 2014	CSR H Shares	Buy	38,000	7.14	7.01	HK$
25 September 2014	CSR H Shares	Sell	206,000	7.02	7.00	HK$
26 September 2014	CSR H Shares	Buy	2,000	7.01	7.01	HK$
7 August 2014	CSR H Shares	Buy	2,000	0.9	0.9	USD
8 August 2014	CSR ADR	Buy	4	22.9	22.9	USD
13 August 2014	CSR ADR	Buy	1,000	23.7	23.7	USD
16 September 2014	CSR ADR	Sell	20	22.6	22.6	USD
24 September 2014	CSR ADR	Buy	200	22.5	22.5	USD
30 September 2014	CSR H Shares	Buy	176	6.82	6.82	HK$
30 September 2014	CSR H Shares	Buy	176	6.82	6.82	HK$
9 October 2014	CSR H Shares	Sell	12,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	7,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	6,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	5,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	4,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	4,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	3,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	3,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	2,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	2,000	7.14	7.14	HK$

Date	Description of relevant securities	Type of transaction	No of securities	Max Price	Min Price	Currency
9 October 2014	CSR H Shares	Sell	2,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	2,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	2,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	2,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	2,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	2,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	2,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	2,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.23	7.23	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.21	7.21	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.21	7.21	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.21	7.21	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.20	7.20	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.20	7.20	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.17	7.17	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.15	7.15	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.15	7.15	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.15	7.15	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.15	7.15	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$

Date	Description of relevant securities	Type of transaction	No of securities	Max Price	Min Price	Currency
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.14	7.14	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.13	7.13	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.12	7.12	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.11	7.11	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.10	7.10	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.09	7.09	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.09	7.09	HK$
9 October 2014	CSR H Shares	Sell	1,000	7.04	7.04	HK$
10 October 2014	CSR A Shares	Sell	20,500	5.22	5.22	RMB
10 October 2014	CSR H Shares	Sell	5,000	6.99	6.99	HK$
10 October 2014	CSR H Shares	Sell	5,000	6.99	6.99	HK$
10 October 2014	CSR H Shares	Sell	3,000	7.01	7.01	HK$
10 October 2014	CSR H Shares	Sell	2,000	7.01	7.01	HK$
10 October 2014	CSR H Shares	Sell	2,000	7.00	7.00	HK$
10 October 2014	CSR H Shares	Sell	2,000	7.00	7.00	HK$
10 October 2014	CSR H Shares	Sell	2,000	7.00	7.00	HK$
10 October 2014	CSR H Shares	Sell	2,000	6.99	6.99	HK$
10 October 2014	CSR H Shares	Sell	2,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	2,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	2,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	2,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.07	7.07	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.07	7.07	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.07	7.07	HK$

Date	Description of relevant securities	Type of transaction	No of securities	Max Price	Min Price	Currency
10 October 2014	CSR H Shares	Sell	1,000	7.07	7.07	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.06	7.06	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.06	7.06	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.06	7.06	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.05	7.05	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.05	7.05	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.05	7.05	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.03	7.03	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.02	7.02	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.02	7.02	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.02	7.02	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.01	7.01	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.01	7.01	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.01	7.01	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.01	7.01	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.01	7.01	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.01	7.01	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.01	7.01	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.01	7.01	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.01	7.01	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.00	7.00	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.00	7.00	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.00	7.00	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.00	7.00	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.00	7.00	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.00	7.00	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.00	7.00	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.00	7.00	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.00	7.00	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.00	7.00	HK$
10 October 2014	CSR H Shares	Sell	1,000	7.00	7.00	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.99	6.99	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.99	6.99	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.99	6.99	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.99	6.99	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.99	6.99	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.99	6.99	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.99	6.99	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.99	6.99	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$

Date	Description of relevant securities	Type of transaction	No of securities	Max Price	Min Price	Currency
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.98	6.98	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.97	6.97	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.97	6.97	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.97	6.97	HK$
10 October 2014	CSR H Shares	Sell	1,000	6.97	6.97	HK$
13 October 2014	CSR H Shares	Sell	13,000	6.94	6.94	HK$
13 October 2014	CSR H Shares	Sell	12,000	6.94	6.94	HK$
13 October 2014	CSR H Shares	Sell	9,000	6.94	6.94	HK$
13 October 2014	CSR H Shares	Sell	8,000	6.94	6.94	HK$
13 October 2014	CSR H Shares	Sell	3,000	6.94	6.94	HK$
13 October 2014	CSR H Shares	Sell	3,000	6.94	6.94	HK$
13 October 2014	CSR H Shares	Sell	2,113	0.00	0.00	HK$
13 October 2014	CSR H Shares	Sell	1,000	6.95	6.95	HK$
13 October 2014	CSR H Shares	Sell	1,000	6.94	6.94	HK$
13 October 2014	CSR H Shares	Sell	1,000	6.94	6.94	HK$
15 October 2014	CSR H Shares	Sell	1,000	7.07	7.07	HK$
15 October 2014	CSR H Shares	Sell	1,000	7.06	7.06	HK$
15 October 2014	CSR H Shares	Buy	2,000	7.08	7.08	HK$
16 October 2014	CSR H Shares	Sell	1,000	7.50	7.50	HK$
16 October 2014	CSR H Shares	Sell	1,000	6.99	6.99	HK$
17 October 2014	CSR H Shares	Sell	2,000	7.60	7.60	HK$
17 October 2014	CSR H Shares	Sell	2,000	7.58	7.58	HK$
17 October 2014	CSR H Shares	Sell	2,000	7.58	7.58	HK$
17 October 2014	CSR H Shares	Sell	2,000	7.57	7.57	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.60	7.60	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.60	7.60	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.60	7.60	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.60	7.60	HK$

Date	Description of relevant securities	Type of transaction	No of securities	Max Price	Min Price	Currency
17 October 2014	CSR H Shares	Sell	1,000	7.60	7.60	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.60	7.60	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.57	7.57	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.52	7.52	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.50	7.50	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.50	7.50	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.49	7.49	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.49	7.49	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.49	7.49	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.48	7.48	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.48	7.48	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.47	7.47	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.46	7.46	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.45	7.45	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.45	7.45	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.44	7.44	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.44	7.44	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.43	7.43	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.42	7.42	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.42	7.42	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.42	7.42	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.41	7.41	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.41	7.41	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.40	7.40	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.40	7.40	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.39	7.39	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.39	7.39	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.39	7.39	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.39	7.39	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.39	7.39	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.39	7.39	HK$
17 October 2014	CSR H Shares	Sell	1,000	7.38	7.38	HK$
20 October 2014	CSR H Shares	Sell	3,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	3,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	2,000	7.55	7.55	HK$
20 October 2014	CSR H Shares	Sell	2,000	7.55	7.55	HK$
20 October 2014	CSR H Shares	Sell	2,000	7.55	7.55	HK$
20 October 2014	CSR H Shares	Sell	2,000	7.55	7.55	HK$
20 October 2014	CSR H Shares	Sell	2,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	2,000	7.54	7.54	HK$

Date	Description of relevant securities	Type of transaction	No of securities	Max Price	Min Price	Currency
20 October 2014	CSR H Shares	Sell	2,000	7.53	7.53	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.60	7.60	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.56	7.56	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.55	7.55	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.55	7.55	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.55	7.55	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.55	7.55	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.55	7.55	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.55	7.55	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.55	7.55	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.55	7.55	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.53	7.53	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.53	7.53	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.53	7.53	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.52	7.52	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.52	7.52	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.52	7.52	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.52	7.52	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.51	7.51	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.50	7.50	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.49	7.49	HK$
20 October 2014	CSR H Shares	Sell	1,000	7.49	7.49	HK$
21 October 2014	CSR H Shares	Sell	4,000	7.57	7.57	HK$
21 October 2014	CSR H Shares	Sell	3,000	7.59	7.59	HK$
21 October 2014	CSR H Shares	Sell	3,000	7.52	7.52	HK$
21 October 2014	CSR H Shares	Sell	2,000	7.67	7.67	HK$
21 October 2014	CSR H Shares	Sell	2,000	7.65	7.65	HK$

Date	Description of relevant securities	Type of transaction	No of securities	Max Price	Min Price	Currency
21 October 2014	CSR H Shares	Sell	1,000	7.69	7.69	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.67	7.67	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.65	7.65	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.64	7.64	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.63	7.63	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.60	7.60	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.59	7.59	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.59	7.59	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.59	7.59	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.58	7.58	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.58	7.58	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.58	7.58	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.57	7.57	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.57	7.57	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.57	7.57	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.57	7.57	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.57	7.57	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.57	7.57	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.57	7.57	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.57	7.57	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.57	7.57	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.57	7.57	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.57	7.57	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.57	7.57	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.57	7.57	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.56	7.56	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.52	7.52	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.51	7.51	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.50	7.50	HK$
21 October 2014	CSR H Shares	Sell	1,000	7.49	7.49	HK$
23 October 2014	CSR A Shares	Sell	39,300	5.96	5.96	RMB
23 October 2014	CSR H Shares	Sell	2,000	7.92	7.92	HK$
23 October 2014	CSR H Shares	Sell	2,000	7.90	7.90	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.99	7.99	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.98	7.98	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.98	7.98	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.97	7.97	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.97	7.97	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.96	7.96	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.96	7.96	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.96	7.96	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.95	7.95	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.95	7.95	HK$

Date	Description of relevant securities	Type of transaction	No of securities	Max Price	Min Price	Currency
23 October 2014	CSR H Shares	Sell	1,000	7.95	7.95	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.95	7.95	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.94	7.94	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.91	7.91	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.91	7.91	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.90	7.90	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.90	7.90	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.90	7.90	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.90	7.90	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.90	7.90	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.90	7.90	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.90	7.90	HK$
23 October 2014	CSR H Shares	Sell	1,000	7.90	7.90	HK$

(iii) Save as disclosed above in paragraphs 4(1) and 4(2), during the Relevant Period:

(A) none of the parties acting in concert with CSR (excluding those entities in the BofAML Group that are exempt principal traders or exempt fund managers) had dealt for value in any CSR Securities;

(B) no person who has irrevocably committed themselves to accept or reject the Merger Proposal had dealt for value in any CSR Securities; and

(C) no persons who had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CSR or any of the parties acting in concert with CSR had dealt for value in any CSR Securities.

(3) Disclosure of Interests in CNR Securities by CSR

Name	Class of Securities	Number of CNR Securities to which the class relates	Approximate percentage of relevant class of total issued share capital of CNR
BofAML Group	CNR H Shares	5,516,000	0.26% of total issued CNR H Shares
BofAML Group	CNR H Shares Derivatives	2,251,500	0.11% of total issued CNR H Shares
CICC Group	CNR H Shares	47,000	0.002% of total issued CNR H Shares
CICC Group	CNR A Shares	33,610	0.0003% of total issued CNR A Shares

Save as disclosed above in paragraph 4(3), as at the Latest Practicable Date:

(i) neither CSR nor any CSR Directors held interests in any CNR Securities, nor borrowed or lent any CNR Securities;

(ii) no person acting in concert with CSR (excluding those entities in the BofAML Group that are exempt principal traders or exempt fund managers) owned or controlled any CNR Securities, nor did such person borrow or lend any CNR Securities;

(iii) no person who owned CNR Securities or person who controlled such person had, prior to the dispatch of this document, given irrevocable undertakings to CSR, to vote in favour of the Merger at the CNR EGM; and

(iv) no person who had an arrangement relating to CNR Securities of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CSR or with any person acting in concert with CSR owned or controlled any CNR Securities.

(4) Disclosure of Dealings in CNR Securities by CSR

(i) During the Relevant Period, neither CSR nor any of the CSR Directors had dealt for value in any CNR Securities.

(ii) During the Relevant Period, the following parties acting in concert with CSR had dealt for value in the CNR Securities:

(A) **CICC Group**

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Limited (Asset Management)	1 July 2014	Sell	CNR A Shares	505	RMB4.53
China International Capital Corporation Limited (Asset Management)	3 July 2014	Sell	CNR A Shares	2,066	RMB4.59
China International Capital Corporation Limited (Asset Management)	3 July 2014	Sell	CNR A Shares	1,971	RMB4.55

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Limited (Asset Management)	3 July 2014	Sell	CNR A Shares	1,772	RMB4.59
China International Capital Corporation Limited (Asset Management)	4 July 2014	Sell	CNR A Shares	1,471	RMB4.64
China International Capital Corporation Limited (Asset Management)	8 July 2014	Sell	CNR A Shares	732	RMB4.81
China International Capital Corporation Limited (Asset Management)	11 July 2014	Sell	CNR A Shares	1,306	RMB4.64
China International Capital Corporation Limited (Asset Management)	11 July 2014	Sell	CNR A Shares	3,000	RMB4.65
China International Capital Corporation Limited (Asset Management)	14 July 2014	Buy	CNR A Shares	86,200	RMB4.67
China International Capital Corporation Limited (Asset Management)	14 July 2014	Buy	CNR A Shares	292,800	RMB4.67
China International Capital Corporation Limited (Asset Management)	14 July 2014	Buy	CNR A Shares	176,700	RMB4.67
China International Capital Corporation Limited (Asset Management)	14 July 2014	Sell	CNR A Shares	734	RMB4.71
China International Capital Corporation Limited (Asset Management)	14 July 2014	Sell	CNR A Shares	695	RMB4.67
China International Capital Corporation Limited (Asset Management)	14 July 2014	Sell	CNR A Shares	621	RMB4.73
China International Capital Corporation Limited (Asset Management)	14 July 2014	Buy	CNR A Shares	47,000	RMB4.71
China International Capital Corporation Limited (Asset Management)	14 July 2014	Buy	CNR A Shares	213,400	RMB4.71
China International Capital Corporation Limited (Asset Management)	15 July 2014	Buy	CNR A Shares	175,400	RMB4.77

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Limited (Asset Management)	15 July 2014	Buy	CNR A Shares	265,700	RMB4.77
China International Capital Corporation Limited (Asset Management)	15 July 2014	Buy	CNR A Shares	171,000	RMB4.74
China International Capital Corporation Limited (Asset Management)	30 July 2014	Sell	CNR A Shares	175,400	RMB4.91
China International Capital Corporation Limited (Asset Management)	30 July 2014	Sell	CNR A Shares	86,200	RMB4.91
China International Capital Corporation Limited (Asset Management)	30 July 2014	Sell	CNR A Shares	292,800	RMB4.91
China International Capital Corporation Limited (Asset Management)	30 July 2014	Sell	CNR A Shares	265,700	RMB4.91
China International Capital Corporation Limited (Asset Management)	30 July 2014	Sell	CNR A Shares	347,700	RMB4.91
China International Capital Corporation Limited (Asset Management)	30 July 2014	Sell	CNR A Shares	47,000	RMB4.91
China International Capital Corporation Limited (Asset Management)	30 July 2014	Sell	CNR A Shares	213,400	RMB4.91
China International Capital Corporation Limited (Asset Management)	12 August 2014	Buy	CNR A Shares	900	RMB4.99
China International Capital Corporation Limited (Asset Management)	26 August 2014	Buy	CNR A Shares	400	RMB4.96
China International Capital Corporation Limited (Asset Management)	2 September 2014	Buy	CNR A Shares	1,800	RMB5.09
China International Capital Corporation Limited (Asset Management)	2 September 2014	Buy	CNR A Shares	19,300	RMB5.09
China International Capital Corporation Limited (Asset Management)	5 September 2014	Buy	CNR A Shares	696,700	RMB5.23

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Limited (Asset Management)	5 September 2014	Buy	CNR A Shares	1,378,000	RMB5.23
China International Capital Corporation Limited (Asset Management)	5 September 2014	Buy	CNR A Shares	561,034	RMB5.23
China International Capital Corporation Limited (Asset Management)	5 September 2014	Buy	CNR A Shares	142,900	RMB5.23
China International Capital Corporation Limited (Asset Management)	10 September 2014	Buy	CNR A Shares	35,000	RMB5.3
China International Capital Corporation Limited (Asset Management)	10 September 2014	Buy	CNR A Shares	63,900	RMB5.27
China International Capital Corporation Limited (Asset Management)	11 September 2014	Sell	CNR A Shares	1,454	RMB5.32
China International Capital Corporation Limited (Asset Management)	16 September 2014	Sell	CNR A Shares	100	RMB5.2
China International Capital Corporation Limited (Asset Management)	16 September 2014	Sell	CNR A Shares	399	RMB5.24
China International Capital Corporation Limited (Asset Management)	16 September 2014	Sell	CNR A Shares	63,900	RMB5.31
China International Capital Corporation Limited (Asset Management)	17 September 2014	Sell	CNR A Shares	35,000	RMB5.22
China International Capital Corporation Limited (Asset Management)	24 September 2014	Sell	CNR A Shares	562	RMB5.12
China International Capital Corporation Limited (Asset Management)	24 September 2014	Buy	CNR A Shares	7,200	RMB5.19
China International Capital Corporation Limited (Asset Management)	25 September 2014	Buy	CNR A Shares	3,100	RMB5.29
China International Capital Corporation Limited (Asset Management)	25 September 2014	Buy	CNR A Shares	13,700	RMB5.32

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Limited (Asset Management)	29 September 2014	Sell	CNR A Shares	696,700	RMB5.26
China International Capital Corporation Limited (Asset Management)	29 September 2014	Sell	CNR A Shares	1,378,000	RMB5.26
China International Capital Corporation Limited (Asset Management)	29 September 2014	Sell	CNR A Shares	561,034	RMB5.26
China International Capital Corporation Limited (Asset Management)	29 September 2014	Sell	CNR A Shares	142,900	RMB5.26
China International Capital Corporation Limited (Asset Management)	29 September 2014	Sell	CNR A Shares	291	RMB5.25
China International Capital Corporation Limited (Asset Management)	29 September 2014	Sell	CNR A Shares	79	RMB5.25
China International Capital Corporation Limited (Asset Management)	30 September 2014	Sell	CNR A Shares	569	RMB5.27
China International Capital Corporation Limited (Asset Management)	30 September 2014	Sell	CNR A Shares	244	RMB5.27
China International Capital Corporation Limited (Asset Management)	9 October 2014	Sell	CNR A Shares	422	RMB5.36
China International Capital Corporation Limited (Asset Management)	14 October 2014	Sell	CNR A Shares	497	RMB5.44
China International Capital Corporation Limited (Asset Management)	14 October 2014	Sell	CNR A Shares	4,686	RMB5.42
China International Capital Corporation Limited (Asset Management)	14 October 2014	Sell	CNR A Shares	1,185	RMB5.45
China International Capital Corporation Limited (Asset Management)	14 October 2014	Sell	CNR A Shares	626	RMB5.46
China International Capital Corporation Limited (Asset Management)	17 October 2014	Buy	CNR A Shares	33,200	RMB5.94

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Limited (Asset Management)	21 October 2014	Sell	CNR A Shares	742	RMB6.13
China International Capital Corporation Limited (Asset Management)	21 October 2014	Sell	CNR A Shares	48,639	RMB6.13
China International Capital Corporation Limited (Asset Management)	23 October 2014	Sell	CNR A Shares	4,167	RMB6.42
China International Capital Corporation Limited (Asset Management)	23 October 2014	Sell	CNR A Shares	2,228	RMB6.44
China International Capital Corporation Limited (Asset Management)	24 October 2014	Buy	CNR A Shares	20,800	RMB6.6
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	24,100	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	26,800	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	30,200	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	34,400	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	26,100	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	27,500	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	31,400	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	25,900	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	24,000	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	24,100	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	24,600	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	29,500	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	27,700	RMB4.64

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	25,600	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	25,600	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	26,000	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	26,700	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	29,700	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	34,400	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	300	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	26,000	RMB4.62
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	34,200	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	31,900	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	34,800	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	26,500	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	26,100	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	30,000	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	32,000	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	34,100	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	26,600	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	25,800	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	26,100	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	33,600	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	29,100	RMB4.63

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	33,500	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	33,900	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	26,700	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	28,100	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	3,500	RMB4.63
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	34,200	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	28,800	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	28,800	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	33,400	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	32,500	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	31,200	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	32,900	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	34,400	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	29,700	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	28,300	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	35,300	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	35,500	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	26,800	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	32,000	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	34,900	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	35,900	RMB4.65

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	32,500	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	6,500	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	31,200	RMB4.64
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	27,100	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	27,100	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	33,700	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	33,700	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	34,600	RMB4.65
China International Capital Corporation Limited	4 July 2014	Buy	CNR A Shares	9,000	RMB4.65
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	34,100	RMB4.8
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	27,100	RMB4.8
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	30,600	RMB4.8
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	27,400	RMB4.8
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	27,900	RMB4.8
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	31,800	RMB4.8
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	33,100	RMB4.8
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	25,900	RMB4.8
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	28,800	RMB4.8
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	26,100	RMB4.8
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	34,100	RMB4.81
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	32,000	RMB4.8

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	24,700	RMB4.81
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	24,500	RMB4.8
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	31,400	RMB4.8
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	34,600	RMB4.8
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	26,500	RMB4.8
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	4,200	RMB4.8
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	29,000	RMB4.81
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	26,000	RMB4.83
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	35,600	RMB4.83
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	29,000	RMB4.83
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	30,100	RMB4.83
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	30,800	RMB4.83
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	30,400	RMB4.83
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	31,000	RMB4.83
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	27,600	RMB4.83
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	29,100	RMB4.83
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	26,000	RMB4.84
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	27,200	RMB4.84
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	31,200	RMB4.84
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	26,900	RMB4.84
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	33,100	RMB4.84

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	30,800	RMB4.84
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	30,800	RMB4.84
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	23,995	RMB4.84
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	34,400	RMB4.84
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	29,900	RMB4.84
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	29,900	RMB4.84
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	24,100	RMB4.84
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	24,100	RMB4.84
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	29,600	RMB4.84
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	29,600	RMB4.84
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	30,400	RMB4.82
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	26,800	RMB4.82
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	27,100	RMB4.82
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	27,100	RMB4.82
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	29,800	RMB4.82
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	31,700	RMB4.81
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	33,400	RMB4.82
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	28,500	RMB4.81
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	31,700	RMB4.81
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	24,900	RMB4.81
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	31,500	RMB4.81

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	12,200	RMB4.81
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	31,500	RMB4.82
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	35,200	RMB4.81
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	30,300	RMB4.81
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	32,400	RMB4.81
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	24,000	RMB4.81
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	3,059	RMB4.81
China International Capital Corporation Limited	9 July 2014	Sell	CNR A Shares	35,200	RMB4.82
China International Capital Corporation Limited	10 July 2014	Sell	CNR A Shares	16,700	RMB4.58
China International Capital Corporation Limited	10 July 2014	Sell	CNR A Shares	16,905	RMB4.56
China International Capital Corporation Limited	10 July 2014	Sell	CNR A Shares	16,700	RMB4.59
China International Capital Corporation Limited	10 July 2014	Sell	CNR A Shares	5,041	RMB4.58
China International Capital Corporation Limited	25 September 2014	Buy	CNR A Shares	5,300	RMB5.27
China International Capital Corporation Limited	25 September 2014	Buy	CNR A Shares	26,300	RMB5.28
China International Capital Corporation Limited	25 September 2014	Buy	CNR A Shares	26,300	RMB5.28
China International Capital Corporation Limited	25 September 2014	Buy	CNR A Shares	26,300	RMB5.26
China International Capital Corporation Limited	8 October 2014	Sell	CNR A Shares	21,050	RMB5.36
China International Capital Corporation Limited	8 October 2014	Sell	CNR A Shares	21,050	RMB5.34
China International Capital Corporation Limited	8 October 2014	Sell	CNR A Shares	21,050	RMB5.34
China International Capital Corporation Limited	9 October 2014	Sell	CNR A Shares	21,050	RMB5.34

Name	Date	Type of transaction	Class of CSR Securities	No. of Shares	Price Per Share
China International Capital Corporation Hong Kong Asset Management Limited (Asset Management)	14 July 2014	Buy	CNR H Shares	47,000	HK$6.33
CICC Financial Trading Limited	11 July 2014	Buy	CNR H Shares	32,500	HK$6.13
CICC Financial Trading Limited	11 July 2014	Sell	CNR H Shares	32,500	HK$6.17

(B) **BofAML Group**

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
6 August 2014	CNR H Shares	Buy	500	6.76	6.76	HK$
7 August 2014	CNR H Shares	Sell	500	6.76	6.76	HK$
8 August 2014	CNR H Shares	Buy	3,387,000	6.62	6.62	HK$
8 August 2014	CNR H Shares	Sell	3,648,500	6.65	6.56	HK$
11 August 2014	CNR H Shares	Sell	20	6.65	6.65	HK$
22 September 2014	CNR H Shares	Buy	11,500	6.79	6.73	HK$
26 September 2014	CNR H Shares	Buy	19,000	7.00	6.89	HK$
29 September 2014	CNR H Shares	Buy	500	6.83	6.83	HK$
29 September 2014	CNR H Shares	Buy	500	6.83	6.83	HK$
30 September 2014	CNR H Shares	Sell	5,500	6.70	6.70	HK$
30 September 2014	CNR H Shares	Sell	5,500	6.69	6.69	HK$
30 September 2014	CNR H Shares	Sell	5,500	6.70	6.70	HK$
30 September 2014	CNR H Shares	Sell	5,500	6.69	6.69	HK$
30 September 2014	CNR H Shares	Sell	5,000	6.71	6.71	HK$
30 September 2014	CNR H Shares	Sell	5,000	6.70	6.70	HK$
30 September 2014	CNR H Shares	Sell	5,000	6.71	6.71	HK$
30 September 2014	CNR H Shares	Sell	5,000	6.70	6.70	HK$
30 September 2014	CNR H Shares	Sell	500	6.69	6.69	HK$
30 September 2014	CNR H Shares	Sell	500	6.69	6.69	HK$
30 September 2014	CNR H Shares	Buy	500	6.68	6.68	HK$
30 September 2014	CNR H Shares	Buy	500	6.68	6.68	HK$
30 September 2014	CNR H Shares	Buy	500	6.69	6.69	HK$
30 September 2014	CNR H Shares	Buy	500	6.69	6.69	HK$
30 September 2014	CNR H Shares	Buy	500	6.70	6.70	HK$
30 September 2014	CNR H Shares	Buy	500	6.70	6.70	HK$
30 September 2014	CNR H Shares	Buy	500	6.70	6.70	HK$
30 September 2014	CNR H Shares	Buy	500	6.71	6.71	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
30 September 2014	CNR H Shares	Buy	500	6.71	6.71	HK$
30 September 2014	CNR H Shares	Buy	500	6.71	6.71	HK$
30 September 2014	CNR H Shares	Buy	500	6.71	6.71	HK$
30 September 2014	CNR H Shares	Buy	500	6.71	6.71	HK$
30 September 2014	CNR H Shares	Buy	500	6.71	6.71	HK$
30 September 2014	CNR H Shares	Buy	500	6.71	6.71	HK$
30 September 2014	CNR H Shares	Buy	500	6.72	6.72	HK$
30 September 2014	CNR H Shares	Buy	500	6.73	6.73	HK$
30 September 2014	CNR H Shares	Buy	500	6.73	6.73	HK$
30 September 2014	CNR H Shares	Buy	500	6.74	6.74	HK$
30 September 2014	CNR H Shares	Buy	500	6.74	6.74	HK$
30 September 2014	CNR H Shares	Buy	500	6.74	6.74	HK$
30 September 2014	CNR H Shares	Buy	500	6.75	6.75	HK$
30 September 2014	CNR H Shares	Buy	500	6.77	6.77	HK$
30 September 2014	CNR H Shares	Buy	500	6.77	6.77	HK$
30 September 2014	CNR H Shares	Buy	500	6.78	6.78	HK$
30 September 2014	CNR H Shares	Buy	500	6.78	6.78	HK$
30 September 2014	CNR H Shares	Buy	500	6.68	6.68	HK$
30 September 2014	CNR H Shares	Buy	500	6.68	6.68	HK$
30 September 2014	CNR H Shares	Buy	500	6.69	6.69	HK$
30 September 2014	CNR H Shares	Buy	500	6.69	6.69	HK$
30 September 2014	CNR H Shares	Buy	500	6.70	6.70	HK$
30 September 2014	CNR H Shares	Buy	500	6.70	6.70	HK$
30 September 2014	CNR H Shares	Buy	500	6.70	6.70	HK$
30 September 2014	CNR H Shares	Buy	500	6.71	6.71	HK$
30 September 2014	CNR H Shares	Buy	500	6.71	6.71	HK$
30 September 2014	CNR H Shares	Buy	500	6.71	6.71	HK$
30 September 2014	CNR H Shares	Buy	500	6.71	6.71	HK$
30 September 2014	CNR H Shares	Buy	500	6.71	6.71	HK$
30 September 2014	CNR H Shares	Buy	500	6.71	6.71	HK$
30 September 2014	CNR H Shares	Buy	500	6.71	6.71	HK$
30 September 2014	CNR H Shares	Buy	500	6.72	6.72	HK$
30 September 2014	CNR H Shares	Buy	500	6.73	6.73	HK$
30 September 2014	CNR H Shares	Buy	500	6.73	6.73	HK$
30 September 2014	CNR H Shares	Buy	500	6.74	6.74	HK$
30 September 2014	CNR H Shares	Buy	500	6.74	6.74	HK$
30 September 2014	CNR H Shares	Buy	500	6.74	6.74	HK$
30 September 2014	CNR H Shares	Buy	500	6.75	6.75	HK$
30 September 2014	CNR H Shares	Buy	500	6.77	6.77	HK$
30 September 2014	CNR H Shares	Buy	500	6.77	6.77	HK$
30 September 2014	CNR H Shares	Buy	500	6.78	6.78	HK$
30 September 2014	CNR H Shares	Buy	500	6.78	6.78	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
3 October 2014	CNR H Shares	Sell	500	6.64	6.64	HK$
8 October 2014	CNR H Shares	Sell	500	6.93	6.93	HK$
8 October 2014	CNR H Shares	Sell	500	6.91	6.91	HK$
8 October 2014	CNR H Shares	Sell	500	6.90	6.90	HK$
9 October 2014	CNR H Shares	Sell	500	6.98	6.98	HK$
9 October 2014	CNR H Shares	Sell	500	6.92	6.92	HK$
9 October 2014	CNR H Shares	Sell	500	6.88	6.88	HK$
9 October 2014	CNR H Shares	Sell	500	6.86	6.86	HK$
14 October 2014	CNR H Shares	Sell	8,500	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	8,000	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	5,500	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	4,000	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	3,500	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	3,500	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	3,000	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	3,000	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	2,000	6.74	6.74	HK$
14 October 2014	CNR H Shares	Sell	2,000	6.74	6.74	HK$
14 October 2014	CNR H Shares	Sell	2,000	6.74	6.74	HK$
14 October 2014	CNR H Shares	Sell	2,000	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	2,000	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	1,500	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	1,500	6.72	6.72	HK$
14 October 2014	CNR H Shares	Sell	1,000	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	1,000	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	1,000	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	1,000	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	1,000	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	500	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	500	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	500	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	500	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	500	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	500	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	500	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	500	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	500	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	500	6.72	6.72	HK$
14 October 2014	CNR H Shares	Sell	500	6.72	6.72	HK$
14 October 2014	CNR H Shares	Sell	500	6.73	6.73	HK$
14 October 2014	CNR H Shares	Sell	500	6.72	6.72	HK$
14 October 2014	CNR H Shares	Sell	500	6.71	6.71	HK$
14 October 2014	CNR H Shares	Sell	500	6.71	6.71	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
14 October 2014	CNR H Shares	Sell	500	6.71	6.71	HK$
14 October 2014	CNR H Shares	Sell	500	6.66	6.66	HK$
15 October 2014	CNR H Shares	Sell	20,000	6.86	6.86	HK$
15 October 2014	CNR H Shares	Sell	11,500	6.85	6.85	HK$
15 October 2014	CNR H Shares	Sell	6,000	6.87	6.87	HK$
15 October 2014	CNR H Shares	Sell	5,000	6.87	6.87	HK$
15 October 2014	CNR H Shares	Sell	4,500	6.87	6.87	HK$
15 October 2014	CNR H Shares	Sell	3,000	6.86	6.86	HK$
15 October 2014	CNR H Shares	Sell	2,500	6.87	6.87	HK$
15 October 2014	CNR H Shares	Sell	1,500	6.88	6.88	HK$
15 October 2014	CNR H Shares	Sell	1,000	6.85	6.85	HK$
15 October 2014	CNR H Shares	Sell	1,000	6.85	6.85	HK$
15 October 2014	CNR H Shares	Sell	1,000	6.84	6.84	HK$
15 October 2014	CNR H Shares	Sell	500	6.87	6.87	HK$
15 October 2014	CNR H Shares	Sell	500	6.88	6.88	HK$
15 October 2014	CNR H Shares	Sell	500	6.87	6.87	HK$
15 October 2014	CNR H Shares	Sell	500	6.87	6.87	HK$
15 October 2014	CNR H Shares	Sell	500	6.87	6.87	HK$
15 October 2014	CNR H Shares	Sell	500	6.87	6.87	HK$
15 October 2014	CNR H Shares	Sell	500	6.86	6.86	HK$
15 October 2014	CNR H Shares	Sell	500	6.86	6.86	HK$
15 October 2014	CNR H Shares	Sell	500	6.86	6.86	HK$
15 October 2014	CNR H Shares	Sell	500	6.86	6.86	HK$
15 October 2014	CNR H Shares	Sell	500	6.86	6.86	HK$
15 October 2014	CNR H Shares	Sell	500	6.86	6.86	HK$
15 October 2014	CNR H Shares	Sell	500	6.85	6.85	HK$
15 October 2014	CNR H Shares	Sell	500	6.85	6.85	HK$
15 October 2014	CNR H Shares	Sell	500	6.85	6.85	HK$
15 October 2014	CNR H Shares	Sell	500	6.85	6.85	HK$
15 October 2014	CNR H Shares	Sell	500	6.85	6.85	HK$
15 October 2014	CNR H Shares	Sell	500	6.84	6.84	HK$
15 October 2014	CNR H Shares	Sell	500	6.84	6.84	HK$
15 October 2014	CNR H Shares	Sell	500	6.84	6.84	HK$
15 October 2014	CNR H Shares	Sell	500	6.84	6.84	HK$
15 October 2014	CNR H Shares	Sell	500	6.84	6.84	HK$
15 October 2014	CNR H Shares	Sell	500	6.83	6.83	HK$
15 October 2014	CNR H Shares	Sell	500	6.83	6.83	HK$
15 October 2014	CNR H Shares	Sell	500	6.83	6.83	HK$
15 October 2014	CNR H Shares	Sell	500	6.83	6.83	HK$
15 October 2014	CNR H Shares	Sell	500	6.83	6.83	HK$
15 October 2014	CNR H Shares	Sell	500	6.83	6.83	HK$
15 October 2014	CNR H Shares	Sell	500	6.83	6.83	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
15 October 2014	CNR H Shares	Sell	500	6.82	6.82	HK$
15 October 2014	CNR H Shares	Sell	500	6.82	6.82	HK$
15 October 2014	CNR H Shares	Sell	500	6.82	6.82	HK$
15 October 2014	CNR H Shares	Sell	500	6.81	6.81	HK$
15 October 2014	CNR H Shares	Sell	500	6.81	6.81	HK$
15 October 2014	CNR H Shares	Sell	500	6.80	6.80	HK$
15 October 2014	CNR H Shares	Sell	500	6.80	6.80	HK$
15 October 2014	CNR H Shares	Sell	500	6.80	6.80	HK$
15 October 2014	CNR H Shares	Sell	500	6.79	6.79	HK$
15 October 2014	CNR H Shares	Sell	500	6.78	6.78	HK$
15 October 2014	CNR H Shares	Sell	500	6.77	6.77	HK$
16 October 2014	CNR H Shares	Sell	1,500	7.17	7.17	HK$
16 October 2014	CNR H Shares	Sell	1,500	7.15	7.15	HK$
16 October 2014	CNR H Shares	Sell	1,000	7.25	7.25	HK$
16 October 2014	CNR H Shares	Sell	1,000	7.24	7.24	HK$
16 October 2014	CNR H Shares	Sell	1,000	7.23	7.23	HK$
16 October 2014	CNR H Shares	Sell	1,000	7.23	7.23	HK$
16 October 2014	CNR H Shares	Sell	1,000	7.21	7.21	HK$
16 October 2014	CNR H Shares	Sell	1,000	7.19	7.19	HK$
16 October 2014	CNR H Shares	Sell	500	7.28	7.28	HK$
16 October 2014	CNR H Shares	Sell	500	7.28	7.28	HK$
16 October 2014	CNR H Shares	Sell	500	7.27	7.27	HK$
16 October 2014	CNR H Shares	Sell	500	7.27	7.27	HK$
16 October 2014	CNR H Shares	Sell	500	7.27	7.27	HK$
16 October 2014	CNR H Shares	Sell	500	7.26	7.26	HK$
16 October 2014	CNR H Shares	Sell	500	7.25	7.25	HK$
16 October 2014	CNR H Shares	Sell	500	7.24	7.24	HK$
16 October 2014	CNR H Shares	Sell	500	7.24	7.24	HK$
16 October 2014	CNR H Shares	Sell	500	7.23	7.23	HK$
16 October 2014	CNR H Shares	Sell	500	7.22	7.22	HK$
16 October 2014	CNR H Shares	Sell	500	7.21	7.21	HK$
16 October 2014	CNR H Shares	Sell	500	7.20	7.20	HK$
16 October 2014	CNR H Shares	Sell	500	7.19	7.19	HK$
16 October 2014	CNR H Shares	Sell	500	7.19	7.19	HK$
16 October 2014	CNR H Shares	Sell	500	7.19	7.19	HK$
16 October 2014	CNR H Shares	Sell	500	7.19	7.19	HK$
16 October 2014	CNR H Shares	Sell	500	7.19	7.19	HK$
16 October 2014	CNR H Shares	Sell	500	7.19	7.19	HK$
16 October 2014	CNR H Shares	Sell	500	7.18	7.18	HK$
16 October 2014	CNR H Shares	Sell	500	7.18	7.18	HK$
16 October 2014	CNR H Shares	Sell	500	7.18	7.18	HK$
16 October 2014	CNR H Shares	Sell	500	7.17	7.17	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
16 October 2014	CNR H Shares	Sell	500	7.17	7.17	HK$
16 October 2014	CNR H Shares	Sell	500	7.16	7.16	HK$
16 October 2014	CNR H Shares	Sell	500	7.16	7.16	HK$
16 October 2014	CNR H Shares	Sell	500	7.16	7.16	HK$
16 October 2014	CNR H Shares	Sell	500	7.15	7.15	HK$
16 October 2014	CNR H Shares	Sell	500	7.15	7.15	HK$
16 October 2014	CNR H Shares	Sell	500	7.15	7.15	HK$
16 October 2014	CNR H Shares	Sell	500	7.14	7.14	HK$
16 October 2014	CNR H Shares	Sell	500	7.13	7.13	HK$
16 October 2014	CNR H Shares	Sell	500	6.93	6.93	HK$
16 October 2014	CNR H Shares	Sell	500	6.92	6.92	HK$
16 October 2014	CNR H Shares	Sell	500	6.91	6.91	HK$
16 October 2014	CNR H Shares	Sell	500	6.91	6.91	HK$
16 October 2014	CNR H Shares	Sell	500	6.89	6.89	HK$
16 October 2014	CNR H Shares	Sell	500	6.89	6.89	HK$
16 October 2014	CNR H Shares	Sell	500	6.89	6.89	HK$
16 October 2014	CNR H Shares	Sell	500	6.88	6.88	HK$
16 October 2014	CNR H Shares	Sell	500	6.88	6.88	HK$
16 October 2014	CNR H Shares	Sell	500	6.85	6.85	HK$
16 October 2014	CNR H Shares	Sell	500	6.85	6.85	HK$
16 October 2014	CNR H Shares	Sell	500	6.84	6.84	HK$
16 October 2014	CNR H Shares	Sell	500	6.83	6.83	HK$
16 October 2014	CNR H Shares	Sell	500	6.82	6.82	HK$
16 October 2014	CNR H Shares	Sell	500	6.81	6.81	HK$
16 October 2014	CNR H Shares	Sell	500	6.81	6.81	HK$
16 October 2014	CNR H Shares	Buy	500	7.18	7.18	HK$
16 October 2014	CNR H Shares	Buy	500	7.19	7.19	HK$
16 October 2014	CNR H Shares	Buy	500	7.19	7.19	HK$
16 October 2014	CNR H Shares	Buy	500	7.19	7.19	HK$
16 October 2014	CNR H Shares	Buy	500	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	500	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	500	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	500	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	500	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	500	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	500	7.23	7.23	HK$
16 October 2014	CNR H Shares	Buy	500	7.23	7.23	HK$
16 October 2014	CNR H Shares	Buy	500	7.23	7.23	HK$
16 October 2014	CNR H Shares	Buy	500	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	500	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	500	7.25	7.25	HK$
16 October 2014	CNR H Shares	Buy	500	7.25	7.25	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
16 October 2014	CNR H Shares	Buy	500	7.25	7.25	HK$
16 October 2014	CNR H Shares	Buy	500	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	500	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	500	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	500	7.28	7.28	HK$
16 October 2014	CNR H Shares	Buy	500	7.28	7.28	HK$
16 October 2014	CNR H Shares	Buy	500	7.32	7.32	HK$
16 October 2014	CNR H Shares	Buy	500	7.32	7.32	HK$
16 October 2014	CNR H Shares	Buy	500	7.33	7.33	HK$
16 October 2014	CNR H Shares	Buy	500	7.33	7.33	HK$
16 October 2014	CNR H Shares	Buy	1,000	7.19	7.19	HK$
16 October 2014	CNR H Shares	Buy	1,000	7.21	7.21	HK$
16 October 2014	CNR H Shares	Buy	1,000	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	1,000	7.26	7.26	HK$
16 October 2014	CNR H Shares	Buy	1,000	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	1,000	7.32	7.32	HK$
16 October 2014	CNR H Shares	Buy	1,000	7.32	7.32	HK$
16 October 2014	CNR H Shares	Buy	1,000	7.33	7.33	HK$
16 October 2014	CNR H Shares	Buy	1,000	7.35	7.35	HK$
16 October 2014	CNR H Shares	Buy	1,000	7.35	7.35	HK$
16 October 2014	CNR H Shares	Buy	1,500	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	1,500	7.25	7.25	HK$
16 October 2014	CNR H Shares	Buy	1,500	7.26	7.26	HK$
16 October 2014	CNR H Shares	Buy	1,500	7.26	7.26	HK$
16 October 2014	CNR H Shares	Buy	1,500	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	1,500	7.32	7.32	HK$
16 October 2014	CNR H Shares	Buy	1,500	7.33	7.33	HK$
16 October 2014	CNR H Shares	Buy	2,000	7.21	7.21	HK$
16 October 2014	CNR H Shares	Buy	2,000	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	2,000	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	2,000	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	2,000	7.29	7.29	HK$
16 October 2014	CNR H Shares	Buy	2,000	7.32	7.32	HK$
16 October 2014	CNR H Shares	Buy	2,000	7.32	7.32	HK$
16 October 2014	CNR H Shares	Buy	2,000	7.33	7.33	HK$
16 October 2014	CNR H Shares	Buy	2,000	7.35	7.35	HK$
16 October 2014	CNR H Shares	Buy	2,500	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	2,500	7.23	7.23	HK$
16 October 2014	CNR H Shares	Buy	2,500	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	2,500	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	2,500	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	2,500	7.34	7.34	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
16 October 2014	CNR H Shares	Buy	3,000	7.21	7.21	HK$
16 October 2014	CNR H Shares	Buy	3,000	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	3,000	7.26	7.26	HK$
16 October 2014	CNR H Shares	Buy	3,500	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	3,500	7.26	7.26	HK$
16 October 2014	CNR H Shares	Buy	4,000	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	4,000	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	4,000	7.30	7.30	HK$
16 October 2014	CNR H Shares	Buy	4,000	7.33	7.33	HK$
16 October 2014	CNR H Shares	Buy	4,500	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	4,500	7.26	7.26	HK$
16 October 2014	CNR H Shares	Buy	4,500	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	5,000	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	5,000	7.35	7.35	HK$
16 October 2014	CNR H Shares	Buy	5,500	7.26	7.26	HK$
16 October 2014	CNR H Shares	Buy	5,500	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	5,500	7.33	7.33	HK$
16 October 2014	CNR H Shares	Buy	5,500	7.34	7.34	HK$
16 October 2014	CNR H Shares	Buy	6,500	7.18	7.18	HK$
16 October 2014	CNR H Shares	Buy	6,500	7.26	7.26	HK$
16 October 2014	CNR H Shares	Buy	6,500	7.29	7.29	HK$
16 October 2014	CNR H Shares	Buy	7,000	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	7,500	7.19	7.19	HK$
16 October 2014	CNR H Shares	Buy	7,500	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	8,000	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	8,000	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	8,000	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	8,000	7.28	7.28	HK$
16 October 2014	CNR H Shares	Buy	8,000	7.32	7.32	HK$
16 October 2014	CNR H Shares	Buy	8,500	7.25	7.25	HK$
16 October 2014	CNR H Shares	Buy	8,500	7.25	7.25	HK$
16 October 2014	CNR H Shares	Buy	9,000	7.19	7.19	HK$
16 October 2014	CNR H Shares	Buy	9,000	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	9,000	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	9,000	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	9,000	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	9,000	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.19	7.19	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.19	7.19	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.23	7.23	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.24	7.24	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
16 October 2014	CNR H Shares	Buy	10,000	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.25	7.25	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.28	7.28	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.28	7.28	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.28	7.28	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.30	7.30	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.30	7.30	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.30	7.30	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.32	7.32	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.32	7.32	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.34	7.34	HK$
16 October 2014	CNR H Shares	Buy	10,000	7.35	7.35	HK$
16 October 2014	CNR H Shares	Buy	10,500	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	11,000	7.26	7.26	HK$
16 October 2014	CNR H Shares	Buy	11,000	7.28	7.28	HK$
16 October 2014	CNR H Shares	Buy	12,000	7.19	7.19	HK$
16 October 2014	CNR H Shares	Buy	12,500	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	13,000	7.18	7.18	HK$
16 October 2014	CNR H Shares	Buy	13,500	7.19	7.19	HK$
16 October 2014	CNR H Shares	Buy	13,500	7.29	7.29	HK$
16 October 2014	CNR H Shares	Buy	14,000	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	15,000	7.23	7.23	HK$
16 October 2014	CNR H Shares	Buy	15,000	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	15,500	7.25	7.25	HK$
16 October 2014	CNR H Shares	Buy	16,000	7.30	7.30	HK$
16 October 2014	CNR H Shares	Buy	16,500	7.26	7.26	HK$
16 October 2014	CNR H Shares	Buy	17,000	7.19	7.19	HK$
16 October 2014	CNR H Shares	Buy	17,000	7.32	7.32	HK$
16 October 2014	CNR H Shares	Buy	17,500	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	18,000	7.35	7.35	HK$
16 October 2014	CNR H Shares	Buy	18,500	7.34	7.34	HK$
16 October 2014	CNR H Shares	Buy	20,000	7.19	7.19	HK$
16 October 2014	CNR H Shares	Buy	20,000	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	20,000	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	20,000	7.32	7.32	HK$
16 October 2014	CNR H Shares	Buy	21,500	7.23	7.23	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
16 October 2014	CNR H Shares	Buy	22,000	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	23,500	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	23,500	7.25	7.25	HK$
16 October 2014	CNR H Shares	Buy	24,000	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	24,000	7.23	7.23	HK$
16 October 2014	CNR H Shares	Buy	25,000	7.26	7.26	HK$
16 October 2014	CNR H Shares	Buy	25,000	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	25,500	7.23	7.23	HK$
16 October 2014	CNR H Shares	Buy	26,500	7.32	7.32	HK$
16 October 2014	CNR H Shares	Buy	26,500	7.35	7.35	HK$
16 October 2014	CNR H Shares	Buy	27,000	7.24	7.24	HK$
16 October 2014	CNR H Shares	Buy	30,000	7.18	7.18	HK$
16 October 2014	CNR H Shares	Buy	30,000	7.29	7.29	HK$
16 October 2014	CNR H Shares	Buy	32,000	7.21	7.21	HK$
16 October 2014	CNR H Shares	Buy	32,000	7.26	7.26	HK$
16 October 2014	CNR H Shares	Buy	35,000	7.33	7.33	HK$
16 October 2014	CNR H Shares	Buy	41,000	7.25	7.25	HK$
16 October 2014	CNR H Shares	Buy	41,000	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	44,000	7.21	7.21	HK$
16 October 2014	CNR H Shares	Buy	44,500	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	48,000	7.29	7.29	HK$
16 October 2014	CNR H Shares	Buy	49,500	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	49,500	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	50,000	7.19	7.19	HK$
16 October 2014	CNR H Shares	Buy	50,000	7.22	7.22	HK$
16 October 2014	CNR H Shares	Buy	50,000	7.23	7.23	HK$
16 October 2014	CNR H Shares	Buy	50,000	7.26	7.26	HK$
16 October 2014	CNR H Shares	Buy	50,000	7.27	7.27	HK$
16 October 2014	CNR H Shares	Buy	50,000	7.28	7.28	HK$
17 October 2014	CNR H Shares	Sell	2,000	7.54	7.54	HK$
17 October 2014	CNR H Shares	Sell	2,000	7.52	7.52	HK$
17 October 2014	CNR H Shares	Sell	2,000	7.48	7.48	HK$
17 October 2014	CNR H Shares	Sell	1,500	7.52	7.52	HK$
17 October 2014	CNR H Shares	Sell	1,500	7.44	7.44	HK$
17 October 2014	CNR H Shares	Sell	1,500	7.39	7.39	HK$
17 October 2014	CNR H Shares	Sell	1,500	7.33	7.33	HK$
17 October 2014	CNR H Shares	Sell	1,500	7.29	7.29	HK$
17 October 2014	CNR H Shares	Sell	1,500	7.08	7.08	HK$
17 October 2014	CNR H Shares	Sell	1,000	7.53	7.53	HK$
17 October 2014	CNR H Shares	Sell	1,000	7.53	7.53	HK$
17 October 2014	CNR H Shares	Sell	1,000	7.53	7.53	HK$
17 October 2014	CNR H Shares	Sell	1,000	7.51	7.51	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
17 October 2014	CNR H Shares	Sell	1,000	7.49	7.49	HK$
17 October 2014	CNR H Shares	Sell	1,000	7.47	7.47	HK$
17 October 2014	CNR H Shares	Sell	1,000	7.47	7.47	HK$
17 October 2014	CNR H Shares	Sell	1,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Sell	1,000	7.34	7.34	HK$
17 October 2014	CNR H Shares	Sell	1,000	7.34	7.34	HK$
17 October 2014	CNR H Shares	Sell	1,000	7.29	7.29	HK$
17 October 2014	CNR H Shares	Sell	1,000	7.23	7.23	HK$
17 October 2014	CNR H Shares	Sell	1,000	7.19	7.19	HK$
17 October 2014	CNR H Shares	Sell	1,000	7.15	7.15	HK$
17 October 2014	CNR H Shares	Sell	500	7.54	7.54	HK$
17 October 2014	CNR H Shares	Sell	500	7.53	7.53	HK$
17 October 2014	CNR H Shares	Sell	500	7.52	7.52	HK$
17 October 2014	CNR H Shares	Sell	500	7.52	7.52	HK$
17 October 2014	CNR H Shares	Sell	500	7.51	7.51	HK$
17 October 2014	CNR H Shares	Sell	500	7.49	7.49	HK$
17 October 2014	CNR H Shares	Sell	500	7.48	7.48	HK$
17 October 2014	CNR H Shares	Sell	500	7.41	7.41	HK$
17 October 2014	CNR H Shares	Sell	500	7.38	7.38	HK$
17 October 2014	CNR H Shares	Sell	500	7.37	7.37	HK$
17 October 2014	CNR H Shares	Sell	500	7.35	7.35	HK$
17 October 2014	CNR H Shares	Sell	500	7.33	7.33	HK$
17 October 2014	CNR H Shares	Sell	500	7.33	7.33	HK$
17 October 2014	CNR H Shares	Sell	500	7.32	7.32	HK$
17 October 2014	CNR H Shares	Sell	500	7.31	7.31	HK$
17 October 2014	CNR H Shares	Sell	500	7.29	7.29	HK$
17 October 2014	CNR H Shares	Sell	500	7.29	7.29	HK$
17 October 2014	CNR H Shares	Sell	500	7.29	7.29	HK$
17 October 2014	CNR H Shares	Sell	500	7.28	7.28	HK$
17 October 2014	CNR H Shares	Sell	500	7.25	7.25	HK$
17 October 2014	CNR H Shares	Sell	500	7.24	7.24	HK$
17 October 2014	CNR H Shares	Sell	500	7.23	7.23	HK$
17 October 2014	CNR H Shares	Sell	500	7.23	7.23	HK$
17 October 2014	CNR H Shares	Sell	500	7.22	7.22	HK$
17 October 2014	CNR H Shares	Sell	500	7.21	7.21	HK$
17 October 2014	CNR H Shares	Sell	500	7.20	7.20	HK$
17 October 2014	CNR H Shares	Sell	500	7.20	7.20	HK$
17 October 2014	CNR H Shares	Sell	500	7.20	7.20	HK$
17 October 2014	CNR H Shares	Sell	500	7.19	7.19	HK$
17 October 2014	CNR H Shares	Sell	500	7.19	7.19	HK$
17 October 2014	CNR H Shares	Sell	500	7.19	7.19	HK$
17 October 2014	CNR H Shares	Sell	500	7.16	7.16	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
17 October 2014	CNR H Shares	Sell	500	7.16	7.16	HK$
17 October 2014	CNR H Shares	Sell	500	7.16	7.16	HK$
17 October 2014	CNR H Shares	Sell	500	7.16	7.16	HK$
17 October 2014	CNR H Shares	Sell	500	7.15	7.15	HK$
17 October 2014	CNR H Shares	Sell	500	7.15	7.15	HK$
17 October 2014	CNR H Shares	Sell	500	7.14	7.14	HK$
17 October 2014	CNR H Shares	Sell	500	7.14	7.14	HK$
17 October 2014	CNR H Shares	Sell	500	7.13	7.13	HK$
17 October 2014	CNR H Shares	Sell	500	7.13	7.13	HK$
17 October 2014	CNR H Shares	Sell	500	7.13	7.13	HK$
17 October 2014	CNR H Shares	Sell	500	7.12	7.12	HK$
17 October 2014	CNR H Shares	Sell	500	7.09	7.09	HK$
17 October 2014	CNR H Shares	Buy	500	7.23	7.23	HK$
17 October 2014	CNR H Shares	Buy	500	7.23	7.23	HK$
17 October 2014	CNR H Shares	Buy	500	7.23	7.23	HK$
17 October 2014	CNR H Shares	Buy	500	7.24	7.24	HK$
17 October 2014	CNR H Shares	Buy	500	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	500	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	500	7.27	7.27	HK$
17 October 2014	CNR H Shares	Buy	500	7.34	7.34	HK$
17 October 2014	CNR H Shares	Buy	500	7.35	7.35	HK$
17 October 2014	CNR H Shares	Buy	500	7.35	7.35	HK$
17 October 2014	CNR H Shares	Buy	500	7.35	7.35	HK$
17 October 2014	CNR H Shares	Buy	500	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	500	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	500	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	500	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	500	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	500	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	500	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	500	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	500	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	500	7.37	7.37	HK$
17 October 2014	CNR H Shares	Buy	500	7.38	7.38	HK$
17 October 2014	CNR H Shares	Buy	500	7.40	7.40	HK$
17 October 2014	CNR H Shares	Buy	1,000	7.23	7.23	HK$
17 October 2014	CNR H Shares	Buy	1,000	7.23	7.23	HK$
17 October 2014	CNR H Shares	Buy	1,000	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	1,000	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	1,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	1,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	1,000	7.36	7.36	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
17 October 2014	CNR H Shares	Buy	1,000	7.38	7.38	HK$
17 October 2014	CNR H Shares	Buy	1,000	7.39	7.39	HK$
17 October 2014	CNR H Shares	Buy	1,500	7.23	7.23	HK$
17 October 2014	CNR H Shares	Buy	1,500	7.24	7.24	HK$
17 October 2014	CNR H Shares	Buy	2,000	7.34	7.34	HK$
17 October 2014	CNR H Shares	Buy	2,000	7.35	7.35	HK$
17 October 2014	CNR H Shares	Buy	2,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	2,000	7.40	7.40	HK$
17 October 2014	CNR H Shares	Buy	2,500	7.23	7.23	HK$
17 October 2014	CNR H Shares	Buy	2,500	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	2,500	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	2,500	7.35	7.35	HK$
17 October 2014	CNR H Shares	Buy	2,500	7.37	7.37	HK$
17 October 2014	CNR H Shares	Buy	3,000	7.24	7.24	HK$
17 October 2014	CNR H Shares	Buy	3,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	3,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	3,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	3,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	3,000	7.37	7.37	HK$
17 October 2014	CNR H Shares	Buy	3,000	7.37	7.37	HK$
17 October 2014	CNR H Shares	Buy	3,500	7.34	7.34	HK$
17 October 2014	CNR H Shares	Buy	3,500	7.35	7.35	HK$
17 October 2014	CNR H Shares	Buy	4,000	7.24	7.24	HK$
17 October 2014	CNR H Shares	Buy	4,000	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	4,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	4,000	7.38	7.38	HK$
17 October 2014	CNR H Shares	Buy	4,000	7.39	7.39	HK$
17 October 2014	CNR H Shares	Buy	4,500	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	4,500	7.38	7.38	HK$
17 October 2014	CNR H Shares	Buy	4,500	7.40	7.40	HK$
17 October 2014	CNR H Shares	Buy	5,000	7.23	7.23	HK$
17 October 2014	CNR H Shares	Buy	5,000	7.24	7.24	HK$
17 October 2014	CNR H Shares	Buy	5,000	7.24	7.24	HK$
17 October 2014	CNR H Shares	Buy	5,000	7.34	7.34	HK$
17 October 2014	CNR H Shares	Buy	5,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	5,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	5,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	5,000	7.38	7.38	HK$
17 October 2014	CNR H Shares	Buy	5,000	7.38	7.38	HK$
17 October 2014	CNR H Shares	Buy	5,000	7.39	7.39	HK$
17 October 2014	CNR H Shares	Buy	5,500	7.24	7.24	HK$
17 October 2014	CNR H Shares	Buy	5,500	7.25	7.25	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
17 October 2014	CNR H Shares	Buy	6,000	7.24	7.24	HK$
17 October 2014	CNR H Shares	Buy	6,000	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	6,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	6,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	6,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	6,000	7.37	7.37	HK$
17 October 2014	CNR H Shares	Buy	6,500	7.23	7.23	HK$
17 October 2014	CNR H Shares	Buy	6,500	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	7,000	7.24	7.24	HK$
17 October 2014	CNR H Shares	Buy	7,000	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	7,000	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	7,000	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	7,000	7.27	7.27	HK$
17 October 2014	CNR H Shares	Buy	7,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	8,000	7.27	7.27	HK$
17 October 2014	CNR H Shares	Buy	8,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	8,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	8,500	7.34	7.34	HK$
17 October 2014	CNR H Shares	Buy	9,000	7.24	7.24	HK$
17 October 2014	CNR H Shares	Buy	9,500	7.24	7.24	HK$
17 October 2014	CNR H Shares	Buy	9,500	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.23	7.23	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.24	7.24	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.27	7.27	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.34	7.34	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.34	7.34	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.35	7.35	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.35	7.35	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.37	7.37	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.37	7.37	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.37	7.37	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.37	7.37	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
17 October 2014	CNR H Shares	Buy	10,000	7.37	7.37	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.37	7.37	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.38	7.38	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.38	7.38	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.38	7.38	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.39	7.39	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.40	7.40	HK$
17 October 2014	CNR H Shares	Buy	10,000	7.40	7.40	HK$
17 October 2014	CNR H Shares	Buy	10,500	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	10,500	7.27	7.27	HK$
17 October 2014	CNR H Shares	Buy	11,000	7.23	7.23	HK$
17 October 2014	CNR H Shares	Buy	12,000	7.24	7.24	HK$
17 October 2014	CNR H Shares	Buy	14,000	7.27	7.27	HK$
17 October 2014	CNR H Shares	Buy	14,500	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	16,500	7.27	7.27	HK$
17 October 2014	CNR H Shares	Buy	16,500	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	18,000	7.40	7.40	HK$
17 October 2014	CNR H Shares	Buy	18,000	7.40	7.40	HK$
17 October 2014	CNR H Shares	Buy	19,500	7.24	7.24	HK$
17 October 2014	CNR H Shares	Buy	20,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	20,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	20,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	20,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	20,000	7.40	7.40	HK$
17 October 2014	CNR H Shares	Buy	20,000	7.40	7.40	HK$
17 October 2014	CNR H Shares	Buy	21,500	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	24,500	7.34	7.34	HK$
17 October 2014	CNR H Shares	Buy	25,000	7.37	7.37	HK$
17 October 2014	CNR H Shares	Buy	32,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	32,500	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	34,000	7.39	7.39	HK$
17 October 2014	CNR H Shares	Buy	34,000	7.40	7.40	HK$
17 October 2014	CNR H Shares	Buy	50,000	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	50,000	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	50,000	7.35	7.35	HK$
17 October 2014	CNR H Shares	Buy	50,000	7.38	7.38	HK$
17 October 2014	CNR H Shares	Buy	55,000	7.27	7.27	HK$
17 October 2014	CNR H Shares	Buy	58,500	7.25	7.25	HK$
17 October 2014	CNR H Shares	Buy	62,500	7.23	7.23	HK$
17 October 2014	CNR H Shares	Buy	78,500	7.27	7.27	HK$
17 October 2014	CNR H Shares	Buy	80,000	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	87,000	7.36	7.36	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
17 October 2014	CNR H Shares	Buy	100,000	7.35	7.35	HK$
17 October 2014	CNR H Shares	Buy	112,000	7.40	7.40	HK$
17 October 2014	CNR H Shares	Buy	135,500	7.36	7.36	HK$
17 October 2014	CNR H Shares	Buy	200,000	7.24	7.24	HK$
20 October 2014	CNR H Shares	Sell	10,500	7.55	7.55	HK$
20 October 2014	CNR H Shares	Sell	10,000	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	9,000	7.54	7.54	HK$
20 October 2014	CNR H Shares	Sell	8,500	7.55	7.55	HK$
20 October 2014	CNR H Shares	Sell	7,500	7.54	7.54	HK$
20 October 2014	CNR H Shares	Sell	6,000	7.43	7.43	HK$
20 October 2014	CNR H Shares	Sell	5,500	7.48	7.48	HK$
20 October 2014	CNR H Shares	Sell	5,000	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	5,000	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	5,000	7.55	7.55	HK$
20 October 2014	CNR H Shares	Sell	5,000	7.45	7.45	HK$
20 October 2014	CNR H Shares	Sell	5,000	7.44	7.44	HK$
20 October 2014	CNR H Shares	Sell	4,500	7.51	7.51	HK$
20 October 2014	CNR H Shares	Sell	3,500	7.63	7.63	HK$
20 October 2014	CNR H Shares	Sell	3,500	7.60	7.60	HK$
20 October 2014	CNR H Shares	Sell	3,500	7.56	7.56	HK$
20 October 2014	CNR H Shares	Sell	3,500	7.49	7.49	HK$
20 October 2014	CNR H Shares	Sell	3,000	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	3,000	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	3,000	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	3,000	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	3,000	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	3,000	7.42	7.42	HK$
20 October 2014	CNR H Shares	Sell	3,000	7.41	7.41	HK$
20 October 2014	CNR H Shares	Sell	2,500	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	2,500	7.55	7.55	HK$
20 October 2014	CNR H Shares	Sell	2,500	7.55	7.55	HK$
20 October 2014	CNR H Shares	Sell	2,500	7.54	7.54	HK$
20 October 2014	CNR H Shares	Sell	2,000	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	2,000	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	2,000	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	2,000	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	2,000	7.55	7.55	HK$
20 October 2014	CNR H Shares	Sell	2,000	7.50	7.50	HK$
20 October 2014	CNR H Shares	Sell	2,000	7.49	7.49	HK$
20 October 2014	CNR H Shares	Sell	2,000	7.43	7.43	HK$
20 October 2014	CNR H Shares	Sell	1,500	7.70	7.70	HK$
20 October 2014	CNR H Shares	Sell	1,500	7.64	7.64	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
20 October 2014	CNR H Shares	Sell	1,500	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	1,500	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	1,500	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	1,500	7.54	7.54	HK$
20 October 2014	CNR H Shares	Sell	1,500	7.50	7.50	HK$
20 October 2014	CNR H Shares	Sell	1,500	7.49	7.49	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.68	7.68	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.65	7.65	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.63	7.63	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.63	7.63	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.62	7.62	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.61	7.61	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.61	7.61	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.55	7.55	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.55	7.55	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.55	7.55	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.54	7.54	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.48	7.48	HK$
20 October 2014	CNR H Shares	Sell	1,000	7.42	7.42	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
20 October 2014	CNR H Shares	Sell	1,000	7.42	7.42	HK$
20 October 2014	CNR H Shares	Sell	500	7.68	7.68	HK$
20 October 2014	CNR H Shares	Sell	500	7.68	7.68	HK$
20 October 2014	CNR H Shares	Sell	500	7.67	7.67	HK$
20 October 2014	CNR H Shares	Sell	500	7.66	7.66	HK$
20 October 2014	CNR H Shares	Sell	500	7.66	7.66	HK$
20 October 2014	CNR H Shares	Sell	500	7.65	7.65	HK$
20 October 2014	CNR H Shares	Sell	500	7.64	7.64	HK$
20 October 2014	CNR H Shares	Sell	500	7.64	7.64	HK$
20 October 2014	CNR H Shares	Sell	500	7.64	7.64	HK$
20 October 2014	CNR H Shares	Sell	500	7.63	7.63	HK$
20 October 2014	CNR H Shares	Sell	500	7.63	7.63	HK$
20 October 2014	CNR H Shares	Sell	500	7.63	7.63	HK$
20 October 2014	CNR H Shares	Sell	500	7.63	7.63	HK$
20 October 2014	CNR H Shares	Sell	500	7.63	7.63	HK$
20 October 2014	CNR H Shares	Sell	500	7.61	7.61	HK$
20 October 2014	CNR H Shares	Sell	500	7.61	7.61	HK$
20 October 2014	CNR H Shares	Sell	500	7.61	7.61	HK$
20 October 2014	CNR H Shares	Sell	500	7.60	7.60	HK$
20 October 2014	CNR H Shares	Sell	500	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	500	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	500	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	500	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	500	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	500	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	500	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	500	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	500	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	500	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	500	7.58	7.58	HK$
20 October 2014	CNR H Shares	Sell	500	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	500	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	500	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	500	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	500	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	500	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	500	7.57	7.57	HK$
20 October 2014	CNR H Shares	Sell	500	7.55	7.55	HK$
20 October 2014	CNR H Shares	Sell	500	7.54	7.54	HK$
20 October 2014	CNR H Shares	Sell	500	7.45	7.45	HK$
20 October 2014	CNR H Shares	Sell	500	7.44	7.44	HK$
20 October 2014	CNR H Shares	Sell	500	7.43	7.43	HK$
20 October 2014	CNR H Shares	Sell	500	7.43	7.43	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
20 October 2014	CNR H Shares	Sell	500	7.42	7.42	HK$
20 October 2014	CNR H Shares	Buy	500	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	500	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	500	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	500	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	500	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	500	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	500	7.51	7.51	HK$
20 October 2014	CNR H Shares	Buy	500	7.51	7.51	HK$
20 October 2014	CNR H Shares	Buy	500	7.60	7.60	HK$
20 October 2014	CNR H Shares	Buy	500	7.60	7.60	HK$
20 October 2014	CNR H Shares	Buy	500	7.61	7.61	HK$
20 October 2014	CNR H Shares	Buy	500	7.61	7.61	HK$
20 October 2014	CNR H Shares	Buy	500	7.62	7.62	HK$
20 October 2014	CNR H Shares	Buy	500	7.62	7.62	HK$
20 October 2014	CNR H Shares	Buy	500	7.68	7.68	HK$
20 October 2014	CNR H Shares	Buy	500	7.68	7.68	HK$
20 October 2014	CNR H Shares	Buy	500	7.68	7.68	HK$
20 October 2014	CNR H Shares	Buy	500	7.69	7.69	HK$
20 October 2014	CNR H Shares	Buy	500	7.69	7.69	HK$
20 October 2014	CNR H Shares	Buy	500	7.69	7.69	HK$
20 October 2014	CNR H Shares	Buy	500	7.69	7.69	HK$
20 October 2014	CNR H Shares	Buy	500	7.70	7.70	HK$
20 October 2014	CNR H Shares	Buy	500	7.70	7.70	HK$
20 October 2014	CNR H Shares	Buy	500	7.70	7.70	HK$
20 October 2014	CNR H Shares	Buy	500	7.70	7.70	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	500	7.71	7.71	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
20 October 2014	CNR H Shares	Buy	1,000	7.61	7.61	HK$
20 October 2014	CNR H Shares	Buy	1,000	7.65	7.65	HK$
20 October 2014	CNR H Shares	Buy	1,000	7.65	7.65	HK$
20 October 2014	CNR H Shares	Buy	1,000	7.70	7.70	HK$
20 October 2014	CNR H Shares	Buy	1,000	7.70	7.70	HK$
20 October 2014	CNR H Shares	Buy	1,000	7.70	7.70	HK$
20 October 2014	CNR H Shares	Buy	1,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	1,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	1,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	1,500	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	1,500	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	1,500	7.51	7.51	HK$
20 October 2014	CNR H Shares	Buy	1,500	7.68	7.68	HK$
20 October 2014	CNR H Shares	Buy	1,500	7.69	7.69	HK$
20 October 2014	CNR H Shares	Buy	1,500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	2,000	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	2,000	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	2,000	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	2,000	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	2,000	7.60	7.60	HK$
20 October 2014	CNR H Shares	Buy	2,000	7.60	7.60	HK$
20 October 2014	CNR H Shares	Buy	2,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	2,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	2,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	2,500	7.51	7.51	HK$
20 October 2014	CNR H Shares	Buy	2,500	7.51	7.51	HK$
20 October 2014	CNR H Shares	Buy	2,500	7.60	7.60	HK$
20 October 2014	CNR H Shares	Buy	2,500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	3,000	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	3,000	7.61	7.61	HK$
20 October 2014	CNR H Shares	Buy	3,000	7.69	7.69	HK$
20 October 2014	CNR H Shares	Buy	3,000	7.70	7.70	HK$
20 October 2014	CNR H Shares	Buy	3,500	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	3,500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	4,000	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	4,000	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	4,000	7.68	7.68	HK$
20 October 2014	CNR H Shares	Buy	4,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	4,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	4,500	7.61	7.61	HK$
20 October 2014	CNR H Shares	Buy	4,500	7.68	7.68	HK$
20 October 2014	CNR H Shares	Buy	5,000	7.50	7.50	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
20 October 2014	CNR H Shares	Buy	5,000	7.65	7.65	HK$
20 October 2014	CNR H Shares	Buy	5,000	7.65	7.65	HK$
20 October 2014	CNR H Shares	Buy	5,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	5,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	5,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	5,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	5,500	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	7,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	8,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	8,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	8,500	7.70	7.70	HK$
20 October 2014	CNR H Shares	Buy	9,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	10,000	7.51	7.51	HK$
20 October 2014	CNR H Shares	Buy	10,000	7.65	7.65	HK$
20 October 2014	CNR H Shares	Buy	10,000	7.69	7.69	HK$
20 October 2014	CNR H Shares	Buy	10,000	7.70	7.70	HK$
20 October 2014	CNR H Shares	Buy	10,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	10,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	10,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	10,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	12,000	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	12,500	7.51	7.51	HK$
20 October 2014	CNR H Shares	Buy	14,000	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	15,000	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	15,500	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	17,500	7.70	7.70	HK$
20 October 2014	CNR H Shares	Buy	20,000	7.50	7.50	HK$
20 October 2014	CNR H Shares	Buy	20,000	7.69	7.69	HK$
20 October 2014	CNR H Shares	Buy	20,000	7.70	7.70	HK$
20 October 2014	CNR H Shares	Buy	20,000	7.70	7.70	HK$
20 October 2014	CNR H Shares	Buy	20,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	21,000	7.60	7.60	HK$
20 October 2014	CNR H Shares	Buy	22,000	7.70	7.70	HK$
20 October 2014	CNR H Shares	Buy	23,500	7.69	7.69	HK$
20 October 2014	CNR H Shares	Buy	28,000	7.70	7.70	HK$
20 October 2014	CNR H Shares	Buy	40,000	7.61	7.61	HK$
20 October 2014	CNR H Shares	Buy	40,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	46,000	7.70	7.70	HK$
20 October 2014	CNR H Shares	Buy	49,500	7.62	7.62	HK$
20 October 2014	CNR H Shares	Buy	100,000	7.71	7.71	HK$
20 October 2014	CNR H Shares	Buy	100,000	7.71	7.71	HK$
21 October 2014	CNR H Shares	Sell	2,000	7.51	7.51	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
21 October 2014	CNR H Shares	Sell	1,500	7.50	7.50	HK$
21 October 2014	CNR H Shares	Sell	1,500	7.50	7.50	HK$
21 October 2014	CNR H Shares	Sell	1,500	7.49	7.49	HK$
21 October 2014	CNR H Shares	Sell	1,500	7.46	7.46	HK$
21 October 2014	CNR H Shares	Sell	1,000	7.51	7.51	HK$
21 October 2014	CNR H Shares	Sell	1,000	7.50	7.50	HK$
21 October 2014	CNR H Shares	Sell	1,000	7.50	7.50	HK$
21 October 2014	CNR H Shares	Sell	1,000	7.50	7.50	HK$
21 October 2014	CNR H Shares	Sell	1,000	7.49	7.49	HK$
21 October 2014	CNR H Shares	Sell	1,000	7.46	7.46	HK$
21 October 2014	CNR H Shares	Sell	1,000	7.46	7.46	HK$
21 October 2014	CNR H Shares	Sell	1,000	7.44	7.44	HK$
21 October 2014	CNR H Shares	Sell	500	7.59	7.59	HK$
21 October 2014	CNR H Shares	Sell	500	7.58	7.58	HK$
21 October 2014	CNR H Shares	Sell	500	7.57	7.57	HK$
21 October 2014	CNR H Shares	Sell	500	7.57	7.57	HK$
21 October 2014	CNR H Shares	Sell	500	7.57	7.57	HK$
21 October 2014	CNR H Shares	Sell	500	7.57	7.57	HK$
21 October 2014	CNR H Shares	Sell	500	7.56	7.56	HK$
21 October 2014	CNR H Shares	Sell	500	7.56	7.56	HK$
21 October 2014	CNR H Shares	Sell	500	7.56	7.56	HK$
21 October 2014	CNR H Shares	Sell	500	7.56	7.56	HK$
21 October 2014	CNR H Shares	Sell	500	7.56	7.56	HK$
21 October 2014	CNR H Shares	Sell	500	7.56	7.56	HK$
21 October 2014	CNR H Shares	Sell	500	7.54	7.54	HK$
21 October 2014	CNR H Shares	Sell	500	7.54	7.54	HK$
21 October 2014	CNR H Shares	Sell	500	7.53	7.53	HK$
21 October 2014	CNR H Shares	Sell	500	7.53	7.53	HK$
21 October 2014	CNR H Shares	Sell	500	7.53	7.53	HK$
21 October 2014	CNR H Shares	Sell	500	7.53	7.53	HK$
21 October 2014	CNR H Shares	Sell	500	7.53	7.53	HK$
21 October 2014	CNR H Shares	Sell	500	7.52	7.52	HK$
21 October 2014	CNR H Shares	Sell	500	7.52	7.52	HK$
21 October 2014	CNR H Shares	Sell	500	7.52	7.52	HK$
21 October 2014	CNR H Shares	Sell	500	7.52	7.52	HK$
21 October 2014	CNR H Shares	Sell	500	7.51	7.51	HK$
21 October 2014	CNR H Shares	Sell	500	7.51	7.51	HK$
21 October 2014	CNR H Shares	Sell	500	7.51	7.51	HK$
21 October 2014	CNR H Shares	Sell	500	7.51	7.51	HK$
21 October 2014	CNR H Shares	Sell	500	7.51	7.51	HK$
21 October 2014	CNR H Shares	Sell	500	7.51	7.51	HK$
21 October 2014	CNR H Shares	Sell	500	7.50	7.50	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
21 October 2014	CNR H Shares	Sell	500	7.50	7.50	HK$
21 October 2014	CNR H Shares	Sell	500	7.50	7.50	HK$
21 October 2014	CNR H Shares	Sell	500	7.50	7.50	HK$
21 October 2014	CNR H Shares	Sell	500	7.50	7.50	HK$
21 October 2014	CNR H Shares	Sell	500	7.50	7.50	HK$
21 October 2014	CNR H Shares	Sell	500	7.50	7.50	HK$
21 October 2014	CNR H Shares	Sell	500	7.50	7.50	HK$
21 October 2014	CNR H Shares	Sell	500	7.50	7.50	HK$
21 October 2014	CNR H Shares	Sell	500	7.49	7.49	HK$
21 October 2014	CNR H Shares	Sell	500	7.49	7.49	HK$
21 October 2014	CNR H Shares	Sell	500	7.49	7.49	HK$
21 October 2014	CNR H Shares	Sell	500	7.49	7.49	HK$
21 October 2014	CNR H Shares	Sell	500	7.49	7.49	HK$
21 October 2014	CNR H Shares	Sell	500	7.49	7.49	HK$
21 October 2014	CNR H Shares	Sell	500	7.47	7.47	HK$
21 October 2014	CNR H Shares	Sell	500	7.47	7.47	HK$
21 October 2014	CNR H Shares	Sell	500	7.46	7.46	HK$
21 October 2014	CNR H Shares	Sell	500	7.46	7.46	HK$
21 October 2014	CNR H Shares	Sell	500	7.46	7.46	HK$
22 October 2014	CNR H Shares	Sell	20,000	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	19,500	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	13,500	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	13,000	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	10,500	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	10,000	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	10,000	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	10,000	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	7,500	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	5,500	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	5,000	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	5,000	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	5,000	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	4,500	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	4,000	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	2,500	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	1,500	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	1,000	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	500	7.80	7.80	HK$
22 October 2014	CNR H Shares	Sell	500	7.80	7.80	HK$
22 October 2014	CNR H Shares	Sell	500	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	500	7.75	7.75	HK$
22 October 2014	CNR H Shares	Sell	500	7.75	7.75	HK$

Date	Description of relevant securities	Type of transaction	No of shares	Max Price	Min Price	Currency
22 October 2014	CNR H Shares	Sell	500	7.75	7.75	HK$
22 October 2014	CNR H Shares	Buy	116,000	7.82	7.82	HK$

(iii) Save as disclosed above in paragraph 4(4), during the Relevant Period:

(A) none of the parties acting in concert with CSR (excluding those entities in the BofAML Group that are exempt principal traders or exempt fund managers) had dealt for value in any CNR Securities;

(B) no person who has irrevocably committed themselves to accept or reject the Merger Proposal had dealt for value in any CNR Securities; and

(C) no persons who had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CSR or any of the parties acting in concert with CSR had dealt for value in any CNR Securities.

5 DISCLOSURE OF INTERESTS IN AND DEALINGS IN CNR SECURITIES AND CSR SECURITIES BY CNR

(1) Disclosure of Interests in CNR Securities by CNR

Directors, supervisors and chief executive

As at the Latest Practicable Date, the directors, supervisors and chief executive of CNR have the following interests in the issued share capital of CNR:

Name	Nature of the Interests	Class of Securities	Number of Share Options Granted under CNR Share Option Scheme	Number of CNR A Shares Held
Cui Dianguo	Beneficial owner	A shares	281,400	125,000
Xi Guohua	Beneficial owner	A shares	281,400	125,000

Note: The persons listed above hold positions with CNRG. Mr. Cui Dianguo is the general manager of CNRG and Mr. Xi Guohua is a party secretary of CNRG.

Save as disclosed above, as at the Latest Practicable Date, none of the CNR Directors, CNR's supervisors or CNR's chief executive had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of CNR and/or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to CNR and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or (ii) which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to CNR and the Hong Kong Stock Exchange. As at the Latest Practicable Date, neither CNR nor any CNR Director had borrowed or lent any CNR Securities.

The above CNR Directors intend, in respect of their own beneficial shareholding, to be bound by the Merger Proposal and to vote in favour of it.

Substantial Shareholders

Interests in CNR

To the knowledge of the CNR Directors, as at the Latest Practicable Date, save for the CNR Directors, CNR's supervisors or CNR's chief executive, the persons below either had interests and/or short positions in the shares or underlying shares of CNR (as the case may be) which were required to be notified to CNR and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or held interests representing 5% or more interests in the then current CNR's issued share capital of any class:

Name of CNR Shareholders	**Capacity**	**CNR H Shares or CNR A Shares**	**Nature of Interests**	**Number of CNR H Shares or CNR A Shares Held**	**Percentage of CNR H Shares or CNR A Shares Held in Total Issued CNR H Shares or Total Issued CNR A Shares** *(%)*
CNRG	Beneficial owner	A shares	Long position	6,354,457,154	62.75
	Interest of corporate controlled by the substantial shareholder	A shares	Long position	345,610,920	3.41
National Council for Social Security Fund	Beneficial owner	H shares	Long position	191,895,400	8.99

Name of CNR Shareholders	Capacity	CNR H Shares or CNR A Shares	Nature of Interests	Number of CNR H Shares or CNR A Shares Held	Percentage of CNR H Shares or CNR A Shares Held in Total Issued CNR H Shares or Total Issued CNR A Shares *(%)*
UBS AG	Beneficial owner	H shares	Long position	14,564,374	0.68
			Short position	9,253,849	0.43
	Custodian-corporation	H shares	Long position	127,034,000	5.95
	Interest of corporate controlled by the substantial shareholder	H shares	Long position	2,071,000	0.10
UBS Group AG	Custodian-corporation	H shares	Long position	127,034,000	5.95
	Interest of corporate controlled by the substantial shareholder	H shares	Long position	16,635,374	0.78
		H shares	Short position	9,253,849	0.43
Pine River Capital Management LP	Investment manager	H shares	Long position	144,238,000	6.76
Pine River Capital Management LLC	Interest of corporate controlled by the substantial shareholder	H shares	Long position	144,238,000[(1)]	6.76
Taylor Brian Curtis	Interest of corporate controlled by the substantial shareholder	H shares	Long position	144,238,000[(2)]	6.76
Credit Suisse Group AG	Interest of corporate controlled by the substantial shareholder	H shares	Long position	138,634,007	6.50
		H shares	Short position	115,377,367	5.41
Templeton Investment Counsel, LLC	Investment manager	H shares	Long position	108,426,000	5.08

Name of CNR Shareholders	Capacity	CNR H Shares or CNR A Shares	Nature of Interests	Number of CNR H Shares or CNR A Shares Held	Percentage of CNR H Shares or CNR A Shares Held in Total Issued CNR H Shares or Total Issued CNR A Shares *(%)*
Deutsche Bank Aktiengesellschaft	Beneficial owner	H shares	Long position	16,014,000	0.75
			Short position	15,257,500	0.72
	Custodian-corporation	H shares	Long position	37,531,500	1.76
	Interest of corporate controlled by the substantial shareholder	H shares	Long position	53,986,500	2.53
	Custodian/approved lending agent	H shares	Long position/ Lending pool	7,518,000	0.35
JPMorgan Chase & Co.	Beneficial owner	H shares	Long position	6,302,500	0.30
	Investment manager	H shares	Long position	5,563,500	0.26
	Custodian corporation/approved lending agent	H shares	Long position/ Lending pool	105,390,264	4.93
BlackRock, Inc.	Interest of corporate controlled by the substantial shareholder	H shares	Long position	113,414,738	5.32

Notes:

(1) Pine River Capital Management LLC is deemed to be interested, through Pine River Capital Management LP and Pine River Capital Management (HK) Limited, in 144,238,000 CNR H Shares.

(2) Taylor Brian Curtis is deemed to be interested, through Pine River Capital Management LLC, Pine River Capital Management LP and Pine River Capital Management (HK) Limited, in 144,238,000 CNR H Shares.

(3) Except for the direct holding of the 6,354,457,154 CNR A Shares by CNRG and the proportion details, the information disclosed in the table above is based on the information available on the website of the Hong Kong Stock Exchange at www.hkex.com.hk.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the CNR Directors, there was no other person having interests or short positions in the shares or underlying shares of CNR (as the case may be) which were required to be notified to CNR and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

CNR Associates and Connected Entities

As at the Latest Practicable Date, the UBS Entities who are associates of CNR under class (2) of the definition of "associate" in the Takeovers Code (other than exempt principal traders) held the following interests in the issued share capital of CNR:

Name	**Class of Securities to which the Class relates**	**Number of CNR Securities**	**Approximate percentage of relevant class of total issued share capital of CNR** *(%)*
UBS Entities	A Shares	25,718	0.0003%

Save as disclosed in paragraph 5(1) above, as at the Latest Practicable Date:

(i) none of the subsidiaries of CNR, any of the pension funds of the CNR Group and any adviser to CNR as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders) owned or controlled any CNR Securities;

(ii) there were no arrangements relating to CNR Securities of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between CNR, or any person who is an associate of CNR by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code, and any other person; and

(iii) no fund managers (other than exempt managers) connected with CNR who manage funds on a discretionary basis owned or controlled any CNR Securities.

(2) Disclosure of Dealings in CNR Securities by CNR

(i) During the Relevant Period, neither CNR nor any of the CNR Directors had dealt for value in any CNR Securities.

(ii) During the Relevant Period, the UBS Entities who are associates of CNR under class (2) of the definition of "associate" in the Takeovers Code had dealt for value in the CNR Securities:

Aggregated Trades in respect of the Week Ended	Class of CNR Securities	No. of shares purchased	No. of shares sold	Highest price *(RMB)*	Lowest price *(RMB)*
04 July 2014	CNR A Shares	652,000	887,500	4.66	4.43
11 July 2014	CNR A Shares	4,139,978	83,200	4.85	4.57
18 July 2014	CNR A Shares	124,300	98,500	4.75	4.58
25 July 2014	CNR A Shares	672,000	292,187	4.90	4.64
01 August 2014	CNR A Shares	1,221,472	0	5.02	4.87
08 August 2014	CNR A Shares	1,447,500	255,100	5.08	4.89
15 August 2014	CNR A Shares	465,600	737,100	5.12	4.93
22 August 2014	CNR A Shares	477,500	4,508,400	5.22	5.05
29 August 2014	CNR A Shares	862,800	67,710	5.16	4.90
05 September 2014	CNR A Shares	15,701,405	127,600	5.38	5.02
12 September 2014	CNR A Shares	1,508,400	290,900	5.35	5.22
19 September 2014	CNR A Shares	618,100	808,600	5.34	5.18
26 September 2014	CNR A Shares	440,900	161,200	5.32	5.04
03 October 2014	CNR A Shares	575,200	57,500	5.31	5.26
10 October 2014	CNR A Shares	340,800	462,795	5.37	5.28
17 October 2014	CNR A Shares	477,150	3,578,700	6.25	5.26
24 October 2014	CNR A Shares	187,200	9,735,720	6.75	6.00
04 July 2014	CNR H Shares	19,174,000	11,835,000	5.43	5.18
11 July 2014	CNR H Shares	27,041,000	27,722,500	6.24	5.60
18 July 2014	CNR H Shares	26,823,000	9,050,500	6.27	6.20
25 July 2014	CNR H Shares	24,300,500	21,111,500	6.59	6.24
01 August 2014	CNR H Shares	3,490,000	14,158,000	6.72	6.41
08 August 2014	CNR H Shares	1,580,000	1,994,000	6.87	6.50
15 August 2014	CNR H Shares	6,823,500	3,007,000	6.69	6.57
22 August 2014	CNR H Shares	6,593,000	2,391,000	6.92	6.81
29 August 2014	CNR H Shares	7,942,500	8,925,000	6.74	6.43
05 September 2014	CNR H Shares	9,957,911	4,938,500	7.12	6.62
12 September 2014	CNR H Shares	2,181,000	658,500	7.06	6.84
19 September 2014	CNR H Shares	2,163,000	1,310,000	6.91	6.74
26 September 2014	CNR H Shares	10,794,500	16,848,500	7.03	6.72

Aggregated Trades in respect of the Week Ended	Class of CNR Securities	No. of shares purchased	No. of shares sold	Highest price *(RMB)*	Lowest price *(RMB)*
03 October 2014	CNR H Shares	2,914,500	1,162,500	6.82	6.59
10 October 2014	CNR H Shares	2,212,000	1,400,000	6.98	6.65
17 October 2014	CNR H Shares	4,279,500	2,691,000	7.57	6.64
24 October 2014	CNR H Shares	2,958,500	1,179,000	7.85	7.51

Aggregated Trades in respect of the Date	Class of CNR Securities	No. of shares purchased	No. of shares sold	Highest price *(RMB)*	Lowest price *(RMB)*
31 December 2014	CNR A Shares	0	52,700	7.10	7.10
05 January 2015	CNR A Shares	0	134,233	7.81	7.81
06 January 2015	CNR A Shares	0	265,533	8.59	8.59
07 January 2015	CNR A Shares	0	105,000	9.45	9.45
08 January 2015	CNR A Shares	0	2,036,100	10.40	10.40
09 January 2015	CNR A Shares	154,400	575,000	11.44	11.44
12 January 2015	CNR A Shares	0	862,500	11.62	10.81
13 January 2015	CNR A Shares	40,000	37,300	11.08	10.53
14 January 2015	CNR A Shares	0	32,500	11.03	10.85
15 January 2015	CNR A Shares	0	266,700	11.97	11.28
16 January 2015	CNR A Shares	0	1,975,500	13.17	11.92
31 December 2014	CNR H Shares	6,236,000	1,520,000	11.18	10.50
02 January 2015	CNR H Shares	3,751,500	8,531,000	13.52	10.96
05 January 2015	CNR H Shares	1,411,000	11,454,000	12.86	12.10
06 January 2015	CNR H Shares	5,783,500	7,442,500	12.00	11.08
07 January 2015	CNR H Shares	2,581,000	1,070,000	11.74	10.46
08 January 2015	CNR H Shares	1,274,500	4,300,500	11.44	10.82
09 January 2015	CNR H Shares	1,263,000	2,826,000	11.22	10.40
12 January 2015	CNR H Shares	794,500	341,000	10.60	9.80
13 January 2015	CNR H Shares	1,720,000	588,000	10.44	9.85
14 January 2015	CNR H Shares	913,000	9,745,000	10.76	10.40
15 January 2015	CNR H Shares	3,197,000	1,599,000	11.14	10.46
16 January 2015	CNR H Shares	511,000	169,500	11.18	10.82

(iii) Save as disclosed in paragraph 5(2) above, during the Relevant Period:

(A) none of the subsidiaries of CNR, any of the pension funds of the CNR Group and any adviser to CNR as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders) had dealt for value in any CNR Securities;

(B) no person who had an arrangement relating to CNR Securities of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CNR or with any person who is an associate of CNR by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code had dealt for value in any CNR Securities; and

(C) no fund managers (other than exempt fund managers) connected with CNR who managed funds on a discretionary basis had dealt for value in any CNR Securities.

(3) Disclosure of Interests in CSR Securities by CNR

Directors, supervisors and chief executive

Name	Nature of the Interests	Class of Securities	Number of CSR Shares Held
Xi Guohua	Beneficial owner	A Shares	94,300

CNR Associates and Connected Entities

Name	Class of Securities to which the Class relates	Number of CSR Securities	Approximate percentage of relevant class of total issued share capital of CSR
UBS Entities	A Shares	29,602	0.0003%

Save as disclosed above, as at the Latest Practicable Date to the knowledge of the CNR Directors:

(i) neither CNR nor any of the CNR Directors was interested in any CSR Securities or had borrowed or lent any CSR Securities;

(ii) none of the subsidiaries of CNR, any of the pension funds of the CNR Group and any adviser to CNR as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders) owned or controlled any CSR Securities; and

(iii) there were no arrangements relating to CSR Securities of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between CNR, or any person who is an associate of CNR by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code, and any other person; and

(iv) no fund managers (other than exempt fund managers) connected with CNR who managed funds on a discretionary basis owned or controlled any CSR Securities.

(4) Disclosure of Dealings in CSR Securities by CNR

(i) During the Relevant Period, save as disclosed in this paragraph (4)(i) below, neither CNR nor any of the CNR Directors had dealt for value in any CSR Securities:

Dealings in CSR Securities during the period beginning 6 months prior to 30 December 2014 and ending with the Latest Practicable Date

Name	Nature of the Interests	Class of Securities	Number of CSR A Shares credited/(debited)	Date of Transaction	Price
Cui Dianguo	Beneficial owner	A Shares	5,000	20 August 2014	5.15
		A Shares	10,000	20 August 2014	5.14
		A Shares	(50,000)	23 October 2014	5.96
Xi Guohua	Beneficial owner	A Shares	19,200	4 June 2014	4.17
Zhou Rong (Spouse of Xi Guohua)	Beneficial owner	A Shares	5,000	10 June 2014	4.18
		A Shares	5,000	10 June 2014	4.19
		A Shares	5,000	10 June 2014	4.21
		A Shares	(25,000)	23 October 2014	5.98

(ii) During the Relevant Period, the UBS Entities who are associates of CNR under class (2) of the definition of "associate" under the Takeovers Code had dealt for value in the CSR Securities:

Aggregated Trades in respect of the Week Ended	Class of CSR Securities	No. of shares purchased	No. of shares sold	Highest price *(RMB)*	Lowest price *(RMB)*
04 July 2014	CSR A Shares	1,829,519	63,000	4.62	4.47
11 July 2014	CSR A Shares	7,010,407	4,903,264	4.76	4.61
18 July 2014	CSR A Shares	1,857,900	1,589,009	4.83	4.61
25 July 2014	CSR A Shares	4,717,402	1,160,300	5.17	4.64

Aggregated Trades in respect of the Week Ended	Class of CSR Securities	No. of shares purchased	No. of shares sold	Highest price *(RMB)*	Lowest price *(RMB)*
01 August 2014	CSR A Shares	6,278,956	370,400	5.26	5.08
08 August 2014	CSR A Shares	5,119,590	2,070,100	5.38	5.05
15 August 2014	CSR A Shares	5,710,500	1,105,700	5.27	5.06
22 August 2014	CSR A Shares	2,280,700	502,500	5.31	5.05
29 August 2014	CSR A Shares	3,707,300	1,216,900	5.18	5.03
05 September 2014	CSR A Shares	3,078,891	119,100	5.39	5.11
12 September 2014	CSR A Shares	1,391,400	287,200	5.42	5.28
19 September 2014	CSR A Shares	3,476,700	3,053,458	5.39	5.20
26 September 2014	CSR A Shares	4,508,200	5,524,309	5.31	5.06
03 October 2014	CSR A Shares	219,300	5,020,313	5.29	5.22
10 October 2014	CSR A Shares	567,200	2,417,428	5.32	5.20
17 October 2014	CSR A Shares	529,600	15,331,807	5.89	5.16
24 October 2014	CSR A Shares	983,400	331,600	6.12	5.59
04 July 2014	CSR H Shares	13,059,000	13,053,000	6.27	5.84
11 July 2014	CSR H Shares	5,777,000	7,703,400	6.80	6.34
18 July 2014	CSR H Shares	2,904,480	5,242,480	6.85	6.61
25 July 2014	CSR H Shares	2,087,000	3,330,000	7.06	6.70
01 August 2014	CSR H Shares	10,047,020	6,971,000	7.10	6.91
08 August 2014	CSR H Shares	2,205,000	6,253,000	7.27	6.99
15 August 2014	CSR H Shares	2,567,000	3,024,654	7.30	7.13
22 August 2014	CSR H Shares	451,000	1,082,000	7.21	7.06
29 August 2014	CSR H Shares	1,402,000	1,820,000	7.10	6.90
05 September 2014	CSR H Shares	3,378,268	1,740,000	7.49	6.98
12 September 2014	CSR H Shares	1,499,000	490,000	7.28	7.03
19 September 2014	CSR H Shares	2,097,000	2,416,000	7.22	7.00
26 September 2014	CSR H Shares	3,079,000	1,809,000	7.10	6.90
03 October 2014	CSR H Shares	1,478,000	734,000	6.92	6.83
10 October 2014	CSR H Shares	3,394,000	3,687,000	7.18	6.88
17 October 2014	CSR H Shares	2,600,000	6,963,000	7.63	6.88
24 October 2014	CSR H Shares	3,356,740	4,551,924	7.98	7.55

Aggregated Trades in respect of the Date	Class of CSR Securities	No. of shares purchased	No. of shares sold	Highest price *(RMB)*	Lowest price *(RMB)*
31 December 2014	CSR A Shares	0	839,300	6.38	6.38
05 January 2015	CSR A Shares	0	505,909	7.02	7.02
06 January 2015	CSR A Shares	0	1,205,009	7.72	7.72
07 January 2015	CSR A Shares	0	1,452,900	8.49	8.49

Aggregated Trades in respect of the Date	Class of CSR Securities	No. of shares purchased	No. of shares sold	Highest price *(RMB)*	Lowest price *(RMB)*
08 January 2015	CSR A Shares	0	2,724,700	9.34	9.34
09 January 2015	CSR A Shares	0	1,487,000	10.27	10.27
12 January 2015	CSR A Shares	180,800	3,507,239	10.74	10.01
13 January 2015	CSR A Shares	1,000	28,294,000	10.56	9.93
14 January 2015	CSR A Shares	0	629,300	10.42	10.17
15 January 2015	CSR A Shares	30,000	595,400	11.24	11.15
16 January 2015	CSR A Shares	1,522,583	2,346,000	12.36	11.88
31 December 2014	CSR H Shares	1,373,000	3,625,000	10.62	10.14
02 January 2015	CSR H Shares	27,573,000	6,773,237	12.68	10.44
05 January 2015	CSR H Shares	3,820,000	15,010,792	11.96	11.32
06 January 2015	CSR H Shares	3,748,000	2,427,100	11.36	10.26
07 January 2015	CSR H Shares	4,128,000	945,400	10.92	9.88
08 January 2015	CSR H Shares	1,421,000	12,032,000	10.72	10.22
09 January 2015	CSR H Shares	1,333,000	1,583,000	10.50	9.99
12 January 2015	CSR H Shares	1,108,000	328,000	10.06	9.35
13 January 2015	CSR H Shares	570,000	854,750	10.04	9.48
14 January 2015	CSR H Shares	900,000	507,000	10.28	9.97
15 January 2015	CSR H Shares	1,089,000	2,652,000	10.66	10.06
16 January 2015	CSR H Shares	424,000	493,000	10.66	10.34

(iii) Save as disclosed in paragraph 5(4) above, during the Relevant Period:

(A) none of the subsidiaries of CNR, any of the pension funds of the CNR Group and any adviser to CNR as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders) had dealt for value in any CSR Securities;

(B) no person who had an arrangement relating to CSR Securities of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CNR or with any person who is an associate of CNR by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code had dealt for value in any CSR Securities; and

(C) no fund managers (other than exempt fund managers) connected with CNR who managed funds on a discretionary basis had dealt for value in any CSR Securities.

6 DISCLOSURE OF INTERESTS IN AND DEALINGS IN CSR SECURITIES BY CSRG AND CNRG

(1) Disclosure of interests in CSR Securities by CSRG and CNRG

Name	Class of Securities	Number of CSR Securities	Approximate percentage of total issued share capital of the CSR
CSRG[(1)] (including through its wholly-owned subsidiary)	A share	7,889,406,857	57.15%

Notes:

(1) CSRG is acting in concert with CSR solely as a result of falling within the Class (1) presumption of the definition of 'acting in concert' as set out in the Takeovers Code.

As at the Latest Practicable Date, save as disclosed above, neither CSRG, CNRG or any party acting in concert with any of them:

(i) holds, owns, controls or direct any CSR Securities or have borrowed or lent any CSR Securities;

(ii) has secured any irrevocable commitment from any independent CSR Shareholder to vote in favour of the Merger or the Whitewash Waiver at the CSR EGM;

(iii) has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to CSR Securities.

(2) Disclosure of dealings in CSR Securities by CSRG and CNRG

(i) During the Relevant Period:

(A) neither CSRG nor CNRG nor any director of CSRG or director of CNRG had dealt for value in any CSR Securities;

(B) none of the parties acting in concert with CSRG or CNRG (excluding those entities that are exempt principal traders or exempt fund managers) had dealt for value in any CSR Securities;

(C) no person who has irrevocably committed themselves to accept or reject the Merger Proposal had dealt for value in any CSR Securities; and

(D) no persons who had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CSRG or CNRG or any of the parties acting in concert with CSRG or CNRG had dealt for value in any CSR Securities.

(ii) Neither CSRG, CNRG or any party acting in concert with any of them have acquired voting rights in CSR in the 6 months prior to the announcement of the proposals but subsequent to negotiations, discussions or the reaching of understandings or agreements with the CSR Directors in relation to the proposed issue of CSR A Shares and CSR H Shares pursuant to the Merger.

7 DISCLOSURE OF INTERESTS IN AND DEALINGS IN CSRG SECURITIES OR CNRG SECURITIES BY CSR

(1) Disclosure of interests in CSRG Securities or CNRG Securities by CSR

As at the Latest Practicable Date, neither CSR, any CSR Director or any party acting in concert with it:

(i) holds, owns, controls or direct, or are interested in, any CSRG Securities or CNRG Securities or have borrowed or lent any CSRG Securities or CNRG Securities; and

(ii) has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to CSRG Securities or CNRG Securities.

As at the Latest Practicable Date, to the knowledge of the CSR Directors:

(i) none of the subsidiaries of CSR, any of the pension funds of the CSR Group and any adviser to CSR as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders) owned or controlled any CSRG Securities or CNRG Securities;

(ii) there were no arrangements relating to CSRG Securities or CNRG Securities of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between CSR, or any person who is an associate of CSR by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code, and any other person; and

(iii) no fund managers (other than exempt fund managers) connected with CSR who managed funds on a discretionary basis owned or controlled any CSRG Securities or CNRG Securities.

(2) Disclosure of dealings in CNRG Securities or CSRG Securities by CSR

During the Relevant Period, neither CSR nor any of the CSR Directors had dealt for value in any CSRG Securities or CNRG Securities.

8 (1) INFORMATION ON CSR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the directors, supervisors and senior management of CSR are as follows:

Board of Directors

Executive Directors

Mr. Zheng Changhong, born in 1955, a Chinese national with no right of abode overseas, is the chairman of CSR's Board, an executive director and Party secretary of CSR, as well as the general manager and deputy Party secretary of CSRG. Mr. Zheng had many years of senior managerial experience in manufacturing enterprises of rolling stock. Mr. Zheng possesses in-depth knowledge and extensive management experience in the industry. Mr. Zheng worked as deputy head of Beijing Erqi Locomotive Works under the Ministry of Railways, director of the General Office, a director and the deputy general manager of China National Railway Locomotive & Rolling Stock Industry Corporation (LORIC), as well as director and concurrently deputy general manager, deputy general manager and Party secretary of CSRG. From December 2007 to October 2012, he served as the vice chairman, an executive director and president as well as the deputy Party secretary of CSR. Since October 2012, he has served as the chairman, an executive director and the Party secretary of CSR. Mr. Zheng had successively graduated from Lanzhou Railway College majoring in electronics technology and Northern Jiaotong University majoring in accounting, and completed his doctorate education in traffic and transportation planning and management and obtained a doctorate degree in engineering from Beijing Jiaotong University. He possesses the Senior Professional Manager qualification (a talent with unique contribution) awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a professor-level senior engineer, a member of the World Academy of Productivity Science (世界生產力科學院) and a part-time professor of Lanzhou Jiaotong University.

Mr. Liu Hualong, born in 1962, a Chinese national with no right of abode overseas, is an executive director, president and the deputy Party secretary of CSR, as well as the Party secretary of CSRG. Mr. Liu has in-depth knowledge in the business of, and extensive management experience in the industry which CSR specializes in. Mr. Liu served as the chairman, general manager and deputy Party secretary of CNRG Qiqihar Railway Rolling Stock (Group) Co. Ltd., the deputy general manager, deputy Party secretary and secretary of the disciplinary committee and chairman of the labor union of CSRG. From December 2007 to September 2011, he was an executive director, deputy Party secretary and the secretary of the disciplinary committee of CSR. From September 2011 to October 2012, he served as an executive director, the vice president and a standing member of the Party

Committee of CSR. Since October 2012, he has served as an executive director, the president and the deputy Party secretary of CSR. Mr. Liu graduated from Dalian Railway Institute majoring in welding technology and equipment. He holds a bachelor's degree and obtained an MBA for senior management from Tsinghua University. He possesses the Senior Professional Manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a professor-level senior engineer.

Mr. Fu Jianguo, born in 1963, a Chinese national with no right of abode overseas, is an executive director and a standing member of the Party Committee of CSR and a standing member of the Party Committee of CSRG. Mr. Fu has extensive operational and management experience in the industry which CSR specializes in. Mr. Fu served as the deputy head of Tangshan Locomotives & Rolling Stock Works (唐山機車車輛廠), head and deputy Party secretary of CSR Shijiazhuang Rolling Stock Works and deputy general manager of CSRG. He served as vice president and a standing member of the Party Committee of CSR from December 2007 to June 2014. Since June 2014, he has served as an executive director and a standing member of the Party Committee of CSR. Mr. Fu graduated from Dalian Railway Institute majoring in rolling stock. He holds a bachelor's degree and obtained his MBA from China Europe International Business School. He possesses the senior professional manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a professor-level senior engineer.

Non-executive Director

Mr. Liu Zhiyong, born in 1957, a Chinese national with no right of abode overseas, is a non-executive director of CSR, a professional external director for central enterprises and a professional external director of China National Coal Group Corporation (中國中煤能源集團公司). Mr. Liu previously served as the deputy division chief, chief and deputy director of Third Secretary Bureau of the General Office of the State Council (國務院辦公廳秘書三局), the deputy CPC secretary of Liuzhou, Guangxi (secondment for two years), the chief officer and deputy director of Third Secretary Bureau of the General Office of the State Council, inspector and deputy director of First Secretary Bureau of the General Office of the State Council (responsible for day-to-day business), executive deputy secretary of the Party Committee of the General Office of the State Council. He has served as a professional external director for central enterprises since August 2013, a non-executive director of CSR since June 2014 and a professional external director of China National Coal Group Corporation since August 2014. Mr. Liu graduated from Nanjing Political College majoring in politics and economics. He has a bachelor's degree in economics.

Independent Non-executive Directors

Mr. Li Guo'an, born in 1952, Chinese national with no right of abode overseas, is an independent non-executive director of CSR and an external director of Wuhan Iron & Steel (Group) Corporation (武漢鋼鐵(集團)公司). Mr. Li once served as the deputy secretary of the Party Committee, the deputy secretary of the Party Committee and concurrently the secretary of the Party Discipline Inspection Committee of Wuhan Ship Development & Design Institute of the No. 7 Research Institute of China State Shipbuilding Corporation (中國船舶工業總公司第七研究院), assistant to the dean and concurrently the director of the Science and Technology Division, assistant dean, member of the Party Group, assistant dean and deputy secretary of the Party Group of the No. 7 Research Institute of China Shipbuilding Industry Corporation (中國船舶重工集團公司第七研究院). From October 2001 to May 2012, he served as the vice general manager and member of the Party Group of China Shipbuilding Industry Corporation, during which he concurrently served as the chairman of China Ship Design & Research Center Co., Ltd. and a director of China Shipbuilding Industry Company Limited. From May 2012 to March 2014, Mr. Li served as a director of China Shipbuilding Industry Company Limited. He has served as an independent non-executive director of CSR since June 2014 and an external director of Wuhan Iron & Steel (Group) Corporation since September 2014. Mr. Li graduated from Huazhong University of Science and Technology majoring in naval architecture and ocean engineering. He holds a bachelor's degree in engineering and is a research fellow.

Mr. Wu Zhuo, born in 1950, a Chinese national with no right of abode overseas, is an independent non-executive director of CSR and an external director of Wuhan Iron & Steel (Group) Corporation (武漢鋼鐵(集團)公司). Mr. Wu served as the deputy chief of System Engineering Bureau of the Ministry of Aerospace Industry of China. He held several positions in China Aviation Industry Corporation (中國航天工業總公司) such as division chief, deputy manager of Research & Production Department, deputy manager of Human Resources & Training Department, deputy director of Human Resources & Training Bureau and the Head of General Office. From June 1999 to November 2010, Mr. Wu served as a deputy general manager as well as a member of the Party Group of China Aerospace Science and Technology Corporation, and concurrently the head of the Party Disciplinary Inspection Group of China Aerospace Science and Technology Corporation and the chairman of the board of directors of China Aerospace International Holdings Limited. From December 2010 to March 2014, Mr. Wu served as the full-time vice chairman of the board of directors of China Aerospace International Holdings Limited. He has served as an independent non-executive director of CSR since June 2014 and an external director of Wuhan Iron & Steel (Group) Corporation since September 2014. Mr. Wu graduated from Hunan Changsha Technical College majoring in overall design of spacecrafts and holds a bachelor's degree. He is a research fellow and obtained the government subsidy awarded by the State Council.

Mr. Chan Ka Keung, Peter, born in 1951, a citizen of Hong Kong, the PRC, is an independent non-executive director of CSR and an independent non-executive director of Metallurgical Corporation of China Ltd. (中國冶金科工股份有限公司). Mr. Chan served as a senior assistant of the Assurance Department, manager of the Tax Department and senior manager of China Service Department in Ernst & Young, as well as the CFO of Dransfield Group. From January 1994 to December 2008, he served as a Beijing-based partner, Beijing-based managing partner of Tax and Investment Advisory Service Department and Beijing-based managing partner of NPA Transaction Advisory Service Department of Ernst & Young. He has served as an independent non-executive director of CSR since June 2014 and an independent non-executive director of Metallurgical Corporation of China Ltd. since November 2014. Mr. Chan graduated from Hong Kong Polytechnic majoring in accountancy. He is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants of UK, an associate member of the Institute of Chartered Secretaries and Administrators of UK and a member of CPA Australia. Mr. Chan also served as a member of the executive committee of Hong Kong Chamber of Commerce in China from 1996 to 2003 and the chairman of Hong Kong Chamber of Commerce in China from 2000 to 2003.

Supervisors

Mr. Wang Yan, born in 1955, a Chinese national with no right of abode overseas, is the chairman of the supervisory committee of CSR. He also serves as an assistant to general manager of CSRG and director of Assets Management Center of CSRG, the chairman of the supervisory committee of CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.. Mr. Wang is well-versed in policies and possesses significant knowledge in finance. He has many years of finance and management experience in the industry which CSR specializes in. Mr. Wang served as the deputy director of the Finance Department of LORIC, the head of the Finance Department of CSRG, and then the deputy chief accountant and head of the Finance Department of CSRG. He was also the assistant to the general manager of CSRG and concurrentluy head of the directors' and supervisors' office of CSRG. Since December 2007, he has served as the chairman of CSR's supervisory committee. Mr. Wang graduated from the Second College of Renmin University of China majoring in finance. He holds a bachelor's degree and possesses the Senior Professional Manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association. Mr. Wang is a senior accountant.

Mr. Sun Ke, born in 1955, a Chinese national with no right of abode overseas, is a supervisor of CSR and the assistant to president of CSR, as well as the chairman of the supervisory committee of Times New Material. Mr. Sun is well-versed in policies and has years of experience in industry operations and extensive management exposure in the industry which CSR specializes in. Mr. Sun had been deputy manager of Multi-economic

Development Department of LORIC, deputy general manager, a director and general manager of Beijing Railway Industry Trade Company, deputy chief economist and director of Assets Management Center of CSRG, chairman of Beijing Railway Industry Trade Company as well as a part-time supervisor of the Supervisory Committee of State-Owned Enterprises under SASAC. From January 2010 to November 2012, he was the deputy chief economist and the head of the Audit and Risk Department of CSR. He has been a Supervisor of CSR since April 2011 and the assistant to president and concurrently the head of the Audit and Risk Department (with a term until May 2013) of CSR since November 2012. Mr. Sun graduated from Northern Jiaotong University majoring in railway vehicles and accounting. He holds a bachelor's degree and possesses the Senior Professional Manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association. Mr. Sun is a senior engineer.

Mr. Qiu Wei, born in 1959, a Chinese national with no right of abode overseas, is an employee supervisor of CSR as well as the chairman of the Labour Union of CSR. He is also the chairman of the Labour Union of CSRG and a part-time supervisor of the Supervisory Committee of State-Owned Enterprises under SASAC. Mr. Qiu has extensive knowledge of, and management experience in, CSR's specialised industry. He served as deputy director of Party Committee Office of China National Railways Locomotive and Rolling Stock Industrial Corporation, the head and deputy director of the General Affairs Division of the General Office of CSRG (南車集團公司辦公室綜合處), and the vice chairman of the Labour Union of CSRG. He served as the deputy director of the Working Committee of the Labour Union of CSR from January 2008 to July 2014. Since December 2009, he has served as the employee supervisor of CSR. He served as a part-time supervisor of the Supervisory Committee of State-Owned Enterprises under SASAC since November 2013. He has served as the chairman of Labour Union of CSR since July 2014. Mr. Qiu graduated from Chinese Communist Party's Central Party School majoring in Economic Management (distance-learning) and he holds a bachelor's degree. He obtained the Senior Professional Manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a senior political engineer.

Senior Management

Mr. Liu Hualong, his biography is set out above.

Mr. Zhang Jun, born in 1955, a Chinese national with no right of abode overseas, is the vice president and a standing member of the Party Committee of CSR as well as a standing member of the Party Committee of CSRG. Mr. Zhang has extensive knowledge of, and operations management experience in, CSR's specialised industry. Mr. Zhang served as vice director, director and deputy Party secretary of Sifang Locomotive and Rolling Stock Works under the Ministry of Railways; director and deputy Party secretary, Party secretary

of CSR Sifang Locomotive and Rolling Work. He also served as chairman of the board of directors and Party secretary of CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.; deputy Party secretary, secretary of Discipline Committee and chairman of Labour Union of CSRG. Mr. Zhang served as the vice president and a standing member of the Party Committee of CSR since December 2007. Mr. Zhang graduated from Northern Jiaotong University majoring in industrial enterprise management and from Fudan University majoring in enterprise management, and holds a bachelor's degree. He obtained the Senior Professional Manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a senior engineer with professorship.

Ms. Zhan Yanjing, born in 1963, a Chinese national with no right of abode overseas, is the vice president and chief financial officer, as well as a standing member of the Party Committee of CSR and a standing member of the Party Committee of CSRG. She is also the chairman of CSR Finance Co., Ltd (南車財務有限公司). Ms. Zhan has extensive financial knowledge of, and management experience in, the equipment-manufacturing industry. Ms. Zhan served as chief economist as well as director and deputy general manager of Henan Diesel Engine Group Co., Ltd. (河南柴油機廠(集團公司)), a subsidiary of China Shipbuilding Industry Corporation; deputy manager of the Securities Department, manager of the Finance Department, deputy chief accountant and manager of the Finance Department, general manager assistant and manager of the Financial Planning Department, and then general manager assistant of Beiqi Foton Motor Co., Ltd. (北汽福田車輛股份有限公司) as well as chief accountant of CSRG. Since December 2007, she has served as the vice president and chief financial officer as well as a standing member of the Party Committee of CSR. Ms. Zhan graduated from Huazhong Institute of Technology specializing in measure technology and industrial automation instrument, Luoyang Institute of Technology majoring in financial accounting with a bachelor's degree and she obtained her MBA from Peking University. She obtained the Senior Professional Manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a senior accountant and a senior economist.

Mr. Wang Jun, born in 1963, a Chinese national with no right of abode overseas, is the vice president and a standing member of the Party Committee of CSR, is also a standing member of the Party Committee of CSRG. Mr. Wang has extensive experience in the management of technology and operation in the industry where CSR specialises. Mr. Wang served as the chief engineer of Sifang Locomotive and Rolling Stock Works of CSRG and a director and chief engineer, director, general manager and deputy Party Secretary, vice chairman, general manager and deputy Party Secretary, chairman and Party secretary of CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.. Since October 2012, he has served as the vice president and a standing member of the Party Committee of CSR. Mr. Wang graduated from Changsha Railway University (長沙鐵道學院) majoring in thermal dynamic mechanical devices with a bachelor's degree. He was also awarded an MBA

degree for senior management in Tsinghua University. He also obtained the Senior Professional Manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association. In addition, he has been selected as a candidate of National Bai-Qian-Wan Talents Program (國家百千萬人才工程), and is the National Yong to Middle-aged Expert with Outstanding Contributions (國家有突出貢獻中青年專家) as well as a professor-level senior engineer. He is entitled to a special government subsidy from the State Council.

Mr. Lou Qiliang, born in 1963, a Chinese national with no right of abode overseas, is the vice president and a standing member of the Party Committee of CSR, and is also a standing member of the Party Committee of CSRG. Mr. Lou has extensive experience in operational and corporate management in the industry where CSR specialises. Mr. Lou served as the deputy head, head and deputy Party secretary of CSR Nanjing Puzhen Rolling Stock Works (中國南車集團南京浦鎮車輛廠), as well as the executive director, general manager and deputy Party secretary of CSR Nanjing Puzhen Rolling Stock Co., Ltd.. Since October 2012, he has served as the vice president and a standing member of the Party Committee of CSR. Mr. Lou graduated from Dalian Railway Institute majoring in machinery manufacture and design with a bachelor's degree. He also obtained the Senior Professional Manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a senior engineer.

Mr. Xu Zongxiang, born in 1963, a Chinese national with no right of abode overseas, is the vice president and a standing member of the Party Committee of CSR, and is also a standing member of the Party Committee of CSRG. Mr. Xu has extensive expertise and experience in operation management in the industry where CSR specialises. Mr. Xu served as the deputy head of Zhuzhou Electric Locomotive Works of CSRG, the director and general manager, director, general manager and deputy Party secretary, executive director, general manager and deputy Party secretary of CSR Zhuzhou Electric Locomotive Co., Ltd.. Since October 2012, he has served as the vice president and a standing member of the Party Committee of CSR. Mr. Xu graduated from Xi'an Jiaotong University majoring in electric technology. He also completed his doctorate education in the planning and management of civil engineering and obtained a doctorate degree of engineering by Central South University. He also obtained the Senior Professional Manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association. In addition, he is a professor-level senior engineer.

Mr. Chen Dayang, born in 1963, a Chinese national with no right of abode overseas, is the, the deputy Party secretary and the secretary of the disciplinary committee of CSR as well as the deputy Party secretary, the secretary of disciplinary committee of CSRG. Mr. Chen possesses substantial management skills and extensive experience in corporate management. Mr. Chen used to serve as the head of the human resource department

(division of cadre) of China Railway Construction Corporation and the head of the human resource department (division of cadre), the head of the human resource department (division of cadre) and the assistant to president and the head of the human resource department (division of cadre) of China Railway Construction Corporation Limited. Since September 2011, he served as the deputy Party secretary and the secretary of the disciplinary committee of CSR. He has also served as an executive director of the CSR from November 2012 to June 2014. Mr. Chen graduated from Shijiazhuang Railway University majoring in railway engineering. He is a senior engineer.

Mr. Zhang Xinning, born in 1964, a Chinese national with no right of abode overseas, is the chief engineer of CSR. Mr. Zhang has extensive expertise and experience in technological management in the industry where CSR specialises. Mr. Zhang served as the deputy head of the equipment technology division of the department of technology and education of the Ministry of Railways (鐵道部科技教育司裝備技術處), the deputy chief engineer, deputy chief engineer and the general manager of the locomotives business department of CSRG. He also served as the deputy general manager and chief engineer of CSR Zhuzhou Electric Locomotive Co., Ltd., as well as the chief engineer of CSRG. Since December 2007, he has served as the chief engineer of CSR. Mr. Zhang graduated from the faculty of Electrical Engineering of Beijing Jiaotong University, majoring in electric traction and transmission control. He was also awarded a master's degree by Beijing Jiaotong University. In addition, he obtained the Senior Professional Manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association. He has been selected as a candidate of New Century National Bai-Qian-Wan Talents Program and he is a professor-level senior engineer. He is entitled to a special government subsidy from the State Council.

Mr. Shao Renqiang, born in 1964, a Chinese national with no right of abode overseas, is the secretary to the board of directors, the chief economist, the joint company secretary and news spokesperson of CSR, as well as an executive director of CSR Capital Company (中國南車集團投資管理公司). Mr. Shao has extensive financial management and corporate management experience in CSR's specialised industry. Mr. Shao served as the chief accountant of CSR Sifang Locomotive and Rolling Work, a director, chief accountant, deputy general manager and chief accountant of CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd., and head of audit department of CSRG. Since December 2007, he has served as the secretary to the board of directors, joint company secretary and the news spokesperson of CSR. He has become the chief economist of CSR since October 2012. Mr. Shao graduated from Northern Jiaotong University specializing in financial accounting with a bachelor's degree, and obtained his MBA from Tongji University. Mr. Shao obtained the senior professional manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association, and is a senior accountant.

(2) INFORMATION ON CNR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the directors, supervisors and senior management of CNR as at the Latest Practicable Date are as follows:

Board of Directors

Mr. Cui Dianguo, aged 60, joined CNR and was appointed as the chairman of the CNR's Board and a non-executive director of CNR in June 2008, and has been the general manager of CNRG since September 2000. Mr. Cui has over 30 years of experience in the rolling stock manufacturing industry. Mr. Cui's major work experience includes being a deputy director and director in Dalian Locomotive Research Institute, director, deputy general manager and chief engineer in China National Railway Locomotive & Rolling Stock Industry Corporation. Prior to becoming the general manager of CNRG, he served as the vice chairman of the board of directors of CNRG from September 2000 to June 2002. He was granted the title of professor-level senior engineer by CNRG in September 2005. Mr. Cui obtained a bachelor's degree in engineering from Xi'an Jiaotong University in March 1982 and a master's degree in business administration from Dongbei University of Finance and Economics, located in Dalian, in March 1999.

Mr. Xi Guohua, aged 51, was appointed as an executive director and the president of CNR in June 2008. Mr. Xi joined CNR in June 2008 and has over 25 years of experience in the rolling stock manufacturing industry. Mr. Xi's major work experience includes being a deputy director and director in Zhuzhou Electric Locomotive Research Institute, and a deputy general manager and chief engineer of CNRG. He was granted the title of professor-level senior engineer by CSRG in December 2001. Mr. Xi obtained a bachelor's degree in engineering from Shanghai Institute of Railway in July 1985, a master's degree in engineering from Changsha Railway University in June 1997 and a doctoral degree from Central South University, located in Changsha, in engineering in December 2007. Mr. Xi was awarded the 5th Tien-yow Jeme Railway Science and Technology Talent Award and received special allowance from the State Council. He is a member of the expert team of the modern transportation technology of the national "863" program.

Mr. Wan Jun, aged 51, joined CNR and was appointed as the employee representative Director, non-executive Director of CNR in December 2013. He has over 25 years of experience in administration and corporate management. He was granted the title of senior administrative officer in 2014 by CNRG. Mr. Wan's major work experience includes being an assistant administrative officer of deputy bureau level, deputy director and inspector and deputy director in the Secretary Bureau I of the State Council General Office. Mr. Wan obtained a bachelor's degree in political education from Qinghai Normal University, located in Xining, in July 1984.

Independent Non-executive Directors

Mr. Li Fenghua, aged 65, joined CNR and was appointed as an independent non-executive director of CNR in February 2012. Mr. Li's major work experience includes being a deputy general manager of China Southern Air Holding Company, and a deputy general manager, general manager and chairman of the board of directors of China Eastern Air Holding Company. He is also currently serving as an external director to Commercial Aircraft Corporation of China, Limited. He was granted the qualification of National First Class Pilot in December 1998 by the Senior Professional Technician Assessment Committee of Civil Aviation Administration of China. Mr. Li graduated from part-time postgraduate class in economic administration organized by the open college of the Party School of the Central Committee of the Communist Party of China, located in Beijing, PRC in July 2006.

Mr. Zhang Zhong, aged 68, joined CNR and was appointed as an independent non-executive director of CNR in June 2008. Mr. Zhang's major work experience includes being a director of Factory 333, chief economist and deputy general manager of China North Industries Group Corporation. He is currently serving as an external director of China Poly Group Corporation. He was granted the title of professor-level senior engineer in December 2005 by China North Industries Group Corporation. Mr. Zhang graduated from the Harbin Engineering College in August 1969.

Ms. Shao Ying, aged 68, joined CNR and was appointed as an independent non-executive director of CNR in June 2008. Ms. Shao's major work experience includes being a director in the Supervisory Bureau of the Ministry of Supervision in State Administration of Machinery Industry, inspector of bureau level in the Supervisory Bureau of the Ministry of Supervision in State Economic and Trade Commission, and inspector of bureau level in the Supervisory Bureau of the SASAC. Ms. Shao has served as the vice president of the China Foundry Association since September 2010. She graduated from Beijing Normal University majoring in school education in July 1970.

Mr. Sun Patrick, aged 56, joined CNR and was appointed as an independent non-executive director of CNR in February 2012. Mr. Sun's major work experience includes being the group executive director and head of investment banking department at Jardine Fleming Holdings Limited, senior country officer and head of investment banking for Hong Kong at J.P. Morgan, executive director at Sunwah Kingsway Capital Holdings Limited (which is listed on the Hong Kong Stock Exchange (stock code: 188)), independent non-executive director at The Link Real Estate Investment Trust (which is listed on the Hong Kong Stock Exchange (stock code: 823)), executive director and president at Value Convergence Holdings Limited (which is listed on the Hong Kong Stock Exchange (stock code: 821)), and non-executive director at Renhe Commercial Holdings Company Limited (which is listed on the Hong Kong Stock Exchange (stock code: 1387)).

He was an independent non-executive director of China Railway Group Limited (which is listed on the Hong Kong Stock Exchange (stock code: 390) and the SSE (stock code: 601390). He is currently an independent non-executive director and chairman at Solomon Systech (International) Limited (which is listed on the Hong Kong Stock Exchange (stock code: 2878)), and independent non-executive director at each of China Railway Construction Corporation Limited (which is listed on the Hong Kong Stock Exchange (stock code: 1186) and the SSE (stock code: 601186)), Trinity Limited (which is listed on the Hong Kong Stock Exchange (stock code: 891)), China NT Pharma Group Company Limited (which is listed on the Hong Kong Stock Exchange (stock code: 1011)), Sihuan Pharmaceutical Holdings Group Limited (which is listed on the Hong Kong Stock Exchange (stock code: 460)). Mr. Sun was certified as a Fellow of the Hong Kong Institute of Certified Public Accountants in November 2009 and as a Fellow of the Association of Chartered Certified Accountants in April 1992. Mr. Sun was the vice chairman of the Listing Committee of the Hong Kong Stock Exchange from December 1996 to December 2002 and a member of the SFC Takeovers and Mergers Panel from April 1999 to March 2001, and is currently the chairman of the Chamber of Hong Kong Listed Companies. He obtained a bachelor's degree in economics from the Wharton School of the University of Pennsylvania in May 1981 and completed the Stanford Executive Program of the Stanford Graduate School of Business in 2000.

Supervisors

Mr. Chen Fangping, aged 54, was appointed as the chairman and an employee representative supervisor of the supervisory committee of CNR in June 2012 and joined CNR and was appointed as a supervisor in June 2008. Mr. Chen's major work experience includes being the head of human resources department at each of China National Railway Locomotive & Rolling Stock Industry Corporation and CNRG. He is currently serving as an employee representative supervisor and the chairman of the supervisory committee of CNRG. He was granted the title of senior political engineer by the former Ministry of Railway of the PRC ("**MOR**") in December 1996. Mr. Chen obtained a bachelor's degree in engineering from Southwest Jiaotong University in August 1984.

Mr. Zhu Sanhua, aged 52, joined CNR and was appointed as a supervisor of CNR in June 2008. Mr. Zhu's major work experience includes being the deputy head of accounting department, head of accounting department and assistant to the chief accountant at CNRG. He is presently serving as a director at Beijing CNR Logistics Development Corp., Ltd. ("**CNR Logistics**") (a wholly-owned subsidiary of CNR), and a supervisor at each of CNR Import & Export Corp., Ltd., CNR Investment & Leasing Corp., Ltd. ("**CNR Leasing**") and CNR Southern Co., Ltd. (all of which are wholly-owned subsidiaries of CNR), Beijing

CNR Investment Co., Ltd. ("**Beijing CNR Investment**") (a wholly-owned subsidiary of CNRG), and Tianjin Locomotive Co., Limited. He was granted the title of senior accountant by the former MOR in September 1994. Mr. Zhu obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics in July 1982.

Mr. Liu Zhi, aged 44, has been a supervisor of CNR since October 2010. He joined CNR in July 2008 and is currently serving as the head of the labour union office of CNR. Mr. Liu was granted the title of senior engineer by CNRG in September 2005. Mr. Liu is also currently serving as head of the labour union office at CNRG. He obtained a bachelor's degree in engineering from Dalian Railway Institute in July 1992 and a master's degree in business administration from Beijing Jiaotong University in April 2005.

Senior management

Mr. Xi Guohua is an executive director and the president of CNR and his biography is set out above.

Mr. Zhao Guangxing, aged 56, joined CNR and was appointed as the vice president of CNR in June 2008, and has over 30 years of experience in rolling stock industry. Mr. Zhao's major work experience includes being the secretary of the division level at the Office of MOR, a director and assistant to general manager at China National Railway Locomotive & Rolling Stock Industry Corporation, a director and deputy general manager at CNRG, the chairman of the board of directors at each of CNR Logistics and CNR Leasing (wholly-owned subsidiaries of CNR). He was granted the title of professor-level senior engineer by CNRG in December 2010. Mr. Zhao obtained a bachelor's degree in engineering from Dalian Railway Institute in July 1983 and a master's degree in business administration from The University of Texas at Arlington through a sino-foreign cooperation project jointly organized by University of Science and Technology Beijing and The University of Texas in the United States in December 2010.

Mr. Gao Zhi, aged 50, joined CNR and was appointed as the chief financial officer of CNR in June 2008 and was appointed as the vice president of CNR in August 2008. Mr. Gao previously worked as the chief accountant at Changchun Passenger Coaches Factory, chief financial officer, secretary to the board of directors and deputy general manager at CNR Changchun (a non-wholly-owned subsidiary of CNR), and a deputy chief accountant and chief accountant at CNRG. He is presently serving as a director at Dao He Xin Da Asset Investment and Management Company Limited. He has over 25 years of experience in financial field and was granted the title of professor-level senior accountant by CNRG in December 2010. Mr. Gao obtained a bachelor's degree in economics from Northern Jiaotong University (now known as Beijing Jiaotong University), located in Beijing, in July 1987.

Mr. Sun Yongcai, aged 50, was appointed as the vice president of CNR in December 2010. He joined CNR in December 2008 and has over 25 years of experience in rolling stock industry. Mr. Sun's major work experience includes being a deputy plant director at Dalian Locomotive and Rolling Stock Factory, a director, deputy general manager and vice chairman of the board of directors at CNR Dalian Locomotive & Rolling Stock Co., Ltd. (a wholly-owned subsidiary of CNR), and the vice chairman of the board of directors and deputy general manager at Dalian Dali Railway Transportation Equipment Company Limited. He was granted the title of professor-level senior engineer by CNRG in November 2009. Mr. Sun obtained a bachelor's degree in engineering from Dalian Railway Institute in July 1987 and a doctoral degree in engineering from Dalian Jiaotong University in June 2011.

Mr. Jia Shirui, aged 51, joined CNR and was appointed as a vice president of CNR in May 2012. He has over 25 years of experience in rolling stock industry and was granted the title of professor-level senior engineer by CNRG in October 2007. Mr. Jia's major work experience includes being a vice plant director at Taiyuan Locomotive and Rolling Stock Factory, a plant director at Jinan Locomotive and Rolling Stock Factory, and the chairman of the board of directors and general manager at Jinan Railway Vehicle Equipment Co., Ltd. (a wholly-owned subsidiary of CNR). Mr. Jia obtained a bachelor's degree in engineering from Shanghai Institute of Railway in July 1986 and a master's degree in engineering from Beijing Jiaotong University in November 2003.

Mr. Wei Yan, aged 51, joined CNR and was appointed as a vice president of CNR in November 2013. He has over 25 years of experience in rolling stock industry and was granted the title of professor-level senior engineer by CNRG in December 2011. Mr. Wei was the general manager of the freight wagon business department of CNR and an assistant to the president of CNR. His major work experience includes being a deputy general manager, director, general manager and chairman of the board of directors at Qiqihar Railway Rolling Stock (Group) Co., Limited, the chairman of the board of directors and general manager at Qiqihar Railway Rolling Stock Co., Ltd. (a wholly-owned subsidiary of CNR), and an executive director and general manager at CNR Qiqihar Rolling Stock Co., Ltd. (a wholly-owned subsidiary of CNR). Mr. Wei obtained a bachelor's degree in engineering from Southwest Jiaotong University, located in Chengdu, in July 1985 and graduated from part-time postgraduate class in economic administration organized by the open college of the Party School of the Central Committee of the Communist Party of China in July 2002.

Mr. Yu Weiping, aged 49, joined CNR and was appointed as the vice president of CNR in November 2013. Mr. Yu has over 25 years of experience in rolling stock industry and was granted the title of professor-level senior engineer by CNRG in December 2010. Mr. Yu's major work experience includes being a deputy general manager at CNR Changchun (a

non-wholly-owned subsidiary of CNR), and the chairman of the board of directors and general manager at Tangshan Railway Vehicle Co., Ltd. (a wholly-owned subsidiary of CNR). He is currently serving as the chairman of the board of directors at each of CNR Leasing and CNR Logistics (both of which are wholly-owned subsidiaries of CNR), and a director at CNR MA (a non-wholly-owned subsidiary of CNR). Mr. Yu obtained a bachelor's degree in engineering from Dalian Railway Institute in July 1985, a master's degree in management from Jilin University, located in Changchun, in June 2000 and a doctoral degree in economics from Jilin University in December 2008.

Mr. Xie Jilong, aged 48, joined CNR and was appointed as the Secretary to the Board in August 2008. He has over 20 years of experience in management and was granted the title of professor-level senior economist by CNRG in December 2012. Mr. Xie's major work experience includes being a chief accountant, plant director and deputy plant director at Changchun Locomotive Factory, a director and general manager at Changchun Locomotive and Rolling Stock Company Limited, and the vice chairman of the board of directors at Tianjin JL Railway Transportation Equipment Co., Ltd. (a wholly-owned subsidiary of CNR). He is also presently serving as a director at CNR Financial Corp., Ltd. (a non-wholly-owned subsidiary of CNR). Mr. Xie obtained a bachelor's degree in arts from Suzhou Railway Teachers College in July 1988 and a degree in accounting from Beijing Jiaotong University, located in Beijing, in March 2000.

Mr. Wang Yongzhi, aged 51, was appointed as the chief engineer of CNR in April 2011. He joined CNR in March 2009. He has over 25 years of experience in rolling stock industry and was granted the title of professor-level senior engineer by CNRG in September 2002. Mr. Wang's major work experience includes being the deputy head of locomotives department, head of locomotives department, head of research and development department, deputy chief engineer at CNRG, deputy plant director at Yongji Electrical Machine Plant, the vice chairman of the board of directors and deputy general manager at Yongji Xinshisu Electric Equipment Co., Ltd. (a wholly-owned subsidiary of CNR), and a director at Shanghai CNR Yongdian Electronic Technology Company Limited. He is presently serving as the chairman of the board of directors at Shanghai CNR Yongdian Electronic Technology Company Limited. Mr. Wang obtained a bachelor's degree in engineering from Southwest Jiaotong University in July 1984 and a master's degree in engineering from Northern Jiaotong University, located in Beijing, in March 1994.

(3) ARRANGEMENTS AFFECTING CSR DIRECTORS

As at the Latest Practicable Date:

(i) no benefit (save for statutory compensation required under appropriate laws) would be given to any CSR Director as compensation for loss of office or otherwise in connection with the Merger;

(ii) save for the Merger, there are no agreements or arrangements between any CSR Director and any other person which is conditional on or dependent upon the outcome of the Merger or otherwise connected with the Merger; and

(iii) there are no material contracts entered into by CNR in which any CSR Director has a material personal interest.

(4) ARRANGEMENTS AFFECTING CNR DIRECTORS

As at the Latest Practicable Date:

(i) no benefit (save for statutory compensation required under appropriate laws) would be given to any CNR Director as compensation for loss of office or otherwise in connection with the Merger;

(ii) save for the Merger, there are no agreements or arrangements between any CNR Director and any other person which is conditional on or dependent upon the outcome of the Merger or otherwise connected with the Merger; and

(iii) there are no material contracts entered into by CSR in which any CNR Director has a material personal interest.

(5) ARRANGEMENTS WITH CSR IN CONNECTION WITH THE MERGER

(i) Save as disclosed in paragraph 4 headed "Principal Terms of the Merger Agreement" and in paragraph 27 headed "Competition Implications of the Merger on the Post-Merger New Company" in the section headed "Letter from CSR's Board", there is no agreement, arrangement or undertaking, including any compensation arrangement, between CSR or any party acting in concert with it on the one hand and any of the CNR Directors, recent CNR Directors, CNR Shareholders or recent CNR Shareholders on the other hand having any connection with or dependence upon the Merger.

(ii) There is no agreement or arrangement to which CSR is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Merger.

(iii) The emoluments of the CSR Directors will not be affected by the Merger or by any associated transaction.

(6) ARRANGEMENTS WITH CNR IN CONNECTION WITH THE MERGER

(i) Save as disclosed in paragraph 4 headed "Principal Terms of the Merger Agreement" and in paragraph 26 headed "Competition Implications of the Merger on the Post-Merger New Company" in the section headed "Letter from CNR's Board" in the circular relating to the Merger to be despatched to CNR H Shareholders, there is no agreement, arrangement or undertaking, including any compensation arrangement, between CNR or any party acting in concert with it on the one hand and any of the CSR Directors, recent CSR Directors, CSR Shareholders or recent CSR Shareholders on the other hand having any connection with or dependence upon the Merger.

(ii) There is no agreement or arrangement to which CNR is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Merger.

(iii) The emoluments of the CNR Directors will not be affected by the Merger or by any associated transaction.

(7) ARRANGEMENTS WITH CSRG OR CNRG IN CONNECTION WITH THE MERGER

Save as disclosed in paragraph 27 headed "Competition Implications of the Merger on the Post-Merger New Company" in the section headed "Letter from CSR's Board", there is no agreement, arrangement or undertaking, including any compensation arrangement, between each of CSRG and CNRG or any party acting in concert with it on the one hand and any of the CSR Directors, recent CSR Directors, CSR Shareholders or recent CSR Shareholders on the other hand having any connection with or dependence upon the Merger.

7 EXPERTS' QUALIFICATIONS AND CONSENTS

(i) The professional advisers who have been named in this circular or given their opinion or advice which are contained in this circular are set out below:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed under the SFO to carry on Type 1 (Dealing in securities), Type 2 (Dealing in future contracts), Type 3 (Leveraged foreign exchange trading), Type 4 (Advising on securities), Type 5 (Advising on futures contracts) and Type 6 (Advising on corporate finance) regulated activities
Merrill Lynch (Asia Pacific) Limited	A corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
Platinum Securities Company Limited	A corporation licensed under the SFO to carry out Type 1 (Dealing in securities) and Type 6 (Advising on corporate finance) regulated activities
Deloitte Touche Tohmatsu	Certified Public Accountants
KPMG	Certified Public Accountants

(collectively, "**Experts**")

(ii) As at the Latest Practicable Date, save as disclosed in the section headed "Letter from CSR's Board — (5) Rights and Interests in CNR Shares and Derivatives and CSR Shares and Derivatives", each of the Experts did not, directly or indirectly, own shares or any rights to subscribe or nominate others to subscribe any securities of any member company of the Post-Merger New Group, whether or not such rights are legally enforceable.

(iii) Each of the Experts has given and has not withdrawn its written consent to the printing of this circular with the inclusion of references to its name in the form and context in which they respectively appear.

(iv) As at the Latest Practicable Date, each of the Experts has confirmed that it had not owned any direct or indirect interests in any asset that had been purchased or sold or leased, or proposed to be purchased or sold or leased by any member company of the Post-Merger New Group since 31 December 2013 (namely the preparation date of the latest published consolidated financial statements of CSR).

8 SERVICE CONTRACTS

(1) In respect of CSR

As at the Latest Practicable Date, CSR has entered into service contracts with all CSR's Directors, namely, Mr. Zheng Changhong, Mr. Liu Hualong, Mr. Fu Jianguo, Mr. Liu Zhiyong, Mr. Li Guo'an, Mr. Wu Zhuo and Mr. Chan Ka Keung, Peter. The expiry date of all such service contracts is 15 June 2017. No amount of fixed or variable remuneration payable is provided for under such contracts. The remuneration of CSR Directors is determined in accordance with the relevant measures and regulations issued by SASAC and CSR's remuneration policies and standards.

Save as disclosed above, as at the Latest Practicable Date, there were no service contracts entered into by any CSR Directors with any member company of the CSR Group (1) which (including both continuous or fixed term contracts) had been entered into or amended within six months before the date of the Joint Announcement (2) which were continuous contracts with a notice period of 12 months or more, or (3) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

(2) In respect of CNR

As at the Latest Practicable Date, there were no service contracts entered into by any CNR Directors with any member company of the CNR Group (1) which (including both continuous or fixed term contracts) had been entered into or amended within six months before the date of the Joint Announcement (2) which were continuous contracts with a notice period of 12 months or more, or (3) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

9 CONFLICT OF INTERESTS

(1) In respect of CSR

As at the Latest Practicable Date, none of the CSR Directors or, to the best of their knowledge, any of their close associates had any interest in any business (other than business in the CSR Group) which competes or may compete with the business of the CSR Group, whether directly or indirectly, which would otherwise require disclosure under Rule 8.10 of the Hong Kong Listing Rules if such person had been controlling shareholder thereof.

(2) In respect of CNR

As at the Latest Practicable Date, none of the CNR Directors or, to the best of their knowledge, any of their close associates had any interest in any business (other than business in the CNR Group) which competes or may compete with the business of the CNR Group, whether directly or indirectly, which would otherwise require disclosure under Rule 8.10 of the Hong Kong Listing Rules if such person had been controlling shareholder thereof.

10 MATERIAL LITIGATION

(1) In respect of CSR

As at the Latest Practicable Date, none of the members of the CSR Group was engaged in any litigation of material importance and there was no litigation or claim of material importance known to the CSR Directors to be pending or threatened by or against any member of the CSR Group.

(2) In respect of CNR

As at the Latest Practicable Date, none of the members of the CNR Group was engaged in any litigation of material importance and there was no litigation or claim of material importance known to the CNR Directors to be pending or threatened by or against any member of the CNR Group.

11 INTERESTS IN CSR GROUP'S ASSETS, MATERIAL CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the CSR Directors or CSR's supervisors owned any interest in any asset that had been purchased, sold, leased or proposed to be purchased or leased by any member company of the CSR Group since 31 December 2013 (being the date of the latest published consolidated financial statements of CSR).

As at the Latest Practicable Date, none of the CSR Directors or CSR's supervisors owned any material interest in contracts or arrangements material to the CSR Group that remains effective on the date of printing this circular.

12 MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business) have been entered into by members of the Post-Merger New Group from the date two years immediately before the date of the Joint Announcement, up to and including the Latest Practicable Date and which are or may be material:

(i) an equity transfer agreement dated 25 January 2013 entered into between Changchun High-New Business Startups Investment Group Co., Ltd and CNR Changchun, a non-wholly owned subsidiary of CNR, pursuant to which Changchun High-New Business Startups Investment Group Co., Ltd agreed to transfer its 35.59% equity interests held in Jilin High-New Electric Vehicle Co., Ltd to CNR Changchun for a consideration of RMB35,000,000;

(ii) a capital increase agreement dated 25 January 2013 entered into among Changchun High-New Business Startups Investment Group Co., Ltd, CNR Changchun, a non-wholly owned subsidiary of CNR, and Jilin High-New Electric Vehicle Co., Ltd, a then investee company of CNR, pursuant to which CNR Changchun increased its shareholding in Jilin High-New Electric Vehicle Co., Ltd from 35.59% to 51.00% for a consideration of RMB30,934,000;

(iii) a property transfer agreement dated 6 March 2013 entered into between CNRG Xi'an Vehicles Factory and CNR Xi'an, a wholly-owned subsidiary of CNR, pursuant to which CNRG Xi'an Vehicles Factory agreed to transfer 100% of its business assets to CNR Xi'an for a consideration of RMB132,735,800;

(iv) a supplemental agreement to the property transfer agreement dated 6 March 2013 between CNRG Xi'an Vehicles Factory and CNR Xi'an, a wholly-owned subsidiary of CNR, pursuant to which the consideration for the property transfer was increased to RMB142,911,614.41;

(v) a supplemental agreement to the equity transfer agreement dated 18 March 2013 entered into between Changchun High-New Business Startups Investment Group Co., Ltd and CNR Changchun, a non-wholly owned subsidiary of CNR, pursuant to which the method of payment under the equity transfer agreement was revised;

(vi) an agreement of non-competition dated 29 April 2014 entered into between CNR and CNRG, the controlling shareholder of CNR in relation to certain non-competition undertakings given by CNRG to CNR;

(vii) a cornerstone investment agreement dated 5 May 2014 entered into among Wallong (Hong Kong) Limited, China National Machinery Industry Corporation, BOCI Asia Limited and CNR, pursuant to which Wallong (Hong Kong) Limited agreed to subscribe for such number of CNR H Shares (rounded down to the nearest whole board lot) as may be purchased for HK dollar equivalent of US$30,000,000;

(viii) a cornerstone investment agreement dated 5 May 2014 entered into among Jinxi Axle Company Limited, Deutsche Bank AG, Hong Kong Branch and CNR, pursuant to which Jinxi Axle Company Limited agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot) as may be purchased for HK dollar equivalent of US$30,000,000;

(ix) a cornerstone investment agreement (in Chinese) dated 5 May 2014 entered into among Jinxi Axle Company Limited, Deutsche Bank AG, Hong Kong Branch and CNR, pursuant to which Jinxi Axle Company Limited agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot) as may be purchased for HK dollar equivalent of US$30,000,000;

(x) a cornerstone investment agreement dated 6 May 2014 entered into among Dongfeng Asset Management Co. Ltd., Goldman Sachs (Asia) L.L.C. and CNR, pursuant to which Dongfeng Asset Management Co. Ltd. agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot) as may be purchased for HK dollar equivalent of US$40,000,000;

(xi) a cornerstone investment agreement (in Chinese) dated 6 May 2014 entered into among Dongfeng Asset Management Co. Ltd., Goldman Sachs (Asia) L.L.C. and CNR, pursuant to which Dongfeng Asset Management Co. Ltd. agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot) as may be purchased for HK dollar equivalent of US$40,000,000;

(xii) an accession agreement dated 7 May 2014 entered into among Wallong (Hong Kong) Limited, China National Machinery Industry Corporation, BOCI Asia Limited, UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Macquarie Capital Securities Limited, Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C. and CNR, pursuant to which each of UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Macquarie Capital Securities Limited, Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C. shall be treated as a party to the cornerstone investment agreement dated 5 May 2014, entered into among Wallong (Hong Kong) Limited, China National Machinery Industry Corporation, BOCI Asia Limited and CNR;

(xiii) an accession agreement dated 7 May 2014 entered into among Jinxi Axle Company Limited, UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Macquarie Capital Securities Limited, Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C. and CNR, pursuant to which each of UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Macquarie Capital Securities Limited, and Goldman Sachs (Asia) L.L.C. shall be treated as a party to the cornerstone investment agreement dated 5 May 2014, entered into among Jinxi Axle Company Limited, Deutsche Bank AG, Hong Kong Branch and CNR;

(xiv) an accession agreement (in Chinese) dated 7 May 2014 entered into among Jinxi Axle Company Limited, UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Macquarie Capital Securities Limited, Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C. and CNR, pursuant to which each of UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Macquarie Capital Securities Limited, and Goldman Sachs (Asia) L.L.C. shall be treated as a party to the cornerstone investment agreement dated 5 May 2014, entered into among Jinxi Axle Company Limited, Deutsche Bank AG, Hong Kong Branch and CNR;

(xv) an underwriting agreement dated 9 May 2014 entered into between CNR, UBS AG, Hong Kong Branch, UBS Securities Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited, Macquarie Capital Securities Limited, Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, The Hongkong and Shanghai Banking Corporation Limited, BOCI Asia Limited, Credit Suisse (Hong Kong) Limited, Daiwa Capital Markets Hong Kong Limited, ICBC International Securities Limited and China Merchants Securities (HK) Co., Limited in relation to the public offering of certain CNR H Shares in Hong Kong;

(xvi) an international underwriting agreement dated 16 May 2014 entered into between CNR and UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Macquarie Capital Securities Limited, Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., Morgan Stanley & Co. International plc., The Hongkong and Shanghai Banking Corporation Limited, BOCI Asia Limited, Credit Suisse (Hong Kong) Limited, Daiwa Capital Markets Hong Kong Limited, ICBC International Capital Limited and China Merchants Securities (HK) Co., Limited in relation to the international offering of certain CNR H Shares;

(xvii) the revised undertakings dated 29 August 2014 and executed by CNRG, the controlling shareholder of CNR in favour of CNR in relation to the change of performance of undertakings by controlling shareholder in relation to buildings without ownership certificates (the "**Revised Undertakings**");

(xviii) a master purchase agreement entered into between Times New Material, an indirectly-held subsidiary of CSR, and ZF Friedrichshafen AG ("**ZF Group**"), an independent third party of CSR Group, dated 11 December 2013. Pursuant to such agreement, Times New Material agreed to acquire the assets of the rubber and plastics business of BOGE from ZF Group, for an aggregate consideration of a base sum of 290 million Euro, which is subject to certain customary adjustments. For details, please refer to the announcement published by CSR dated 12 December 2013;

(xix) an asset swap agreement entered among CSR, South Huiton Co., Ltd. ("**South Huiton**"), a connected person of CSR, CSR Guiyang Rolling Stock Co., Ltd. ("**CSR Guiyang**") and CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd., both of which are wholly-owned subsidiaries of CSR, dated 28 November 2014. Pursuant to such agreement, the parties agreed that South Huiton shall swap the total assets and liabilities attributable to its railway freight wagon business as well as the 100% equity interest of Guizhou South Huiton Logistics Trading Co., Ltd., the 60.80% equity interest of Guizhou Huiton Shenfa Steel Structure Co., Ltd. and the 51% equity interest of Qingdao Huiyitong Casting Co., Ltd. held by South Huiton for the 36.79% equity interest of Times Wharton acquired by CSR Guiyang. The difference in consideration shall be topped up by CSR Guiyang in cash. For details, please refer to the announcement published by CSR dated 28 November 2014; and

(xx) the Merger Agreement entered into between CSR and CNR dated 30 December 2014.

13 RIGHTS OF CSR SHAREHOLDERS DISSENTING FROM THE MERGER WHOSE H SHARES ARE HELD BY AGENT OR TRUSTEE

As mentioned in the Joint Announcement, CSR Shareholders dissenting from the Merger are entitled to request that the CSR Put Option Providers pay cash to acquire shares held by such shareholders in accordance with the Merger Proposal. Such put option applies to registered holders of CSR Shares who propose to exercise the CSR Put Option. Therefore, any investor whose CSR H Shares are held by an agent or trustee (for instance, including, without limitation, any CCASS broker/custodian participant holding CSR H Shares through the CCASS operated by the HKSCC) and who intends to exercise the CSR Put Option should:

(i) take actions to register such CSR H Shares under such investor's name and deliver his/her/its CSR H Shares to become the registered shareholder of such shares prior to the extraordinary general meeting and each shareholders class meeting. Any investor whose shares are held by an agent or trustee (for instance, including, without limitation, any CCASS broker/ custodian participant holding CSR H Shares through the CCASS operated by the HKSCC) and who intends to vote, in person, against the Merger and exercise the CSR Put Option should take actions to register the shares under his/her/its name; or

(ii) instruct his/her/its agent or trustee or make separate arrangements to his/her/its agent or nominee so that such agent or trustee will strictly follow instructions of such dissenting shareholder's in accordance with the above-mentioned conditions and procedures.

14 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from the date of this circular until the date of the CSR EGM (both dates inclusive): (1) at the principal place of business in Hong Kong of CSR at Unit H, 41/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong during normal business hours (i.e. from 9:30 a.m. to 5:30 p.m. on any weekday, except public holidays), (2) on the website of CSR at www.csrgc.com.cn; and (3) on the website of the SFC at www.sfc.hk:

(i) the articles of association of CSR;

(ii) the annual reports of CSR for the years ended 31 December 2012 and 2013, and the interim report of CSR for the six months ended 30 June 2014;

(iii) the Prospectus of CNR dated 12 May 2014 and the interim report of CNR for the six months ended 30 June 2014;

(iv) the the interim results announcement for the six months ended 30 June 2014 published by CSR dated 22 August 2014;

(v) the interim results announcement for the six months ended 30 June 2014 published by CNR dated 29 August 2014;

(vi) the audit report for the financial statements of CNR prepared under Accounting Standards for Business Enterprises for the two years ended 31 December 2012 and 2013 and the ten months ended 31 October 2014;

(vii) the audit report for the financial statements of CSR prepared under Accounting Standards for Business Enterprises for the period ended 31 October 2014;

(viii) the letter from CSR's Board, the full text of which is set out in this circular from pages 1 to 46;

(ix) the letter from the CSR Independent Board Committee, the full text of which is set out in this circular from pages 47 to 48;

(x) the letter from the CSR Independent Financial Adviser addressed to the CSR Independent Board Committee, the full text of which is set out in this circular from pages 49 to 79;

(xi) the letter of consents from the Experts;

(xii) the independent assurance report to the CNR's Board regarding the reconciliation of financial information prepared in accordance with Accounting Standards for Business Enterprises and financial information prepared in accordance with International Financial Reporting Standards;

(xiii) the independent assurance report addressed to the directors of CSR on the reconciliation of the unaudited unadjusted financial information of CSR prepared under Accounting Standards for Business Enterprises issued by the Ministry of Finance to the unaudited financial information prepared under International Financial Reporting Standards;

(xiv) the independent reporting accountants' assurance report addressed to the directors of CSR on the compilation of pro forma consolidated financial information of the Enlarged Group, the full text of which is set out in Appendix III to this circular;

(xv) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(xvi) the circular of CNR dated 12 September 2014 in relation to, among other things, the Revised Undertakings; and

(xvii) this circular.

15 FEES AND EXPENSES

The estimated costs, fees and expenses to be incurred by CSR and CNR in connection with the Merger, including financial adviser fees, legal fees, printing costs, accountant fees, and other related expenses, are approximately RMB150,000,000.

16 OTHER INFORMATION

(i) Principal members of CSR's concert group: (1) CSRG; (2) China International Capital Corporation Hong Kong Securities Limited; and (3) Merrill Lynch (Asia Pacific) Limited. CSRG is acting in concert with CSR solely as a result of falling within the Class (1) presumption of the definition of 'acting in concert' as set out in the Takeovers Code.

(ii) CSRG is the ultimate holding company of CSR. CSRG held, directly and indirectly, approximately 57.15% of the issued share capital of CSR as at the Latest Practicable Date.

(iii) The address of CSR's registered office is No. 16, Central West Fourth Ring Road, Haidian District, Beijing, the PRC. The address of CSR's principal place of business in Hong Kong is Unit H, 41/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

(iv) The address of CNR's registered office is No. 15, First Area, Fangcheng Park, Fengtai District, Beijing, the PRC. The address of CNR's principal place of business in Hong Kong is 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(v) CSR's share registrar for transfer of H shares is Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(vi) CNR's share registrar for transfer of H shares is Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(vii) Mr. Shao Renqiang and Mr. Wong Kai Yan, Thomas are the joint company secretaries of CSR.

(viii) Mr. Xie Jilong and Ms. Kwong Yin Ping Yvonne (member of Hong Kong Institute of Chartered Secretaries) are the joint company secretaries of CNR.

(ix) CSR was established in China as a joint stock limited liability company on 28 December 2007.

(x) CNR was established in China as a joint stock limited liability company on 26 June 2008.

(xi) The registered address of CSRG is No. 11, Yangfangdian Road, Haidian District, Beijing, the PRC.

(xii) The registered address of CSR Capital Company is No. 11, Yangfangdian Road, Haidian District, Beijing, the PRC.

(xiii) The registered address of CNRG is No. 15, First Area, Fangcheng Park, Fengtai District, Beijing, the PRC.

(xiv) The registered address of UBS AG Hong Kong Branch is 2 International Finance Centre, 52/F, 8 Finance Street, Central, Hong Kong.

(xv) The registered address of Somerley Capital Limited is 20/F China Building, 29 Queen's Road Central, Central, Hong Kong.

(xvi) The registered address of China International Capital Corporation Hong Kong Securities Limited is 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

(xvii) The registered address of Merrill Lynch (Asia Pacific) Limited is 55/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

(xviii) The registered address of Platinum Securities Company Limited is 21/F LHT Tower, 31 Queen's Road Central, Central, Hong Kong.

(xix) The legal representative and general manager of CSRG is Mr. Zheng Changhong.

(xx) The legal representative and the general manager of CNRG is Cui Dianguo.

(xxi) CSRG is a large-scale wholly state-owned enterprise approved by the State Council.

(xxii) CNRG is a large-scale wholly state-owned enterprise approved by the State Council.

(xxiii) CSR, CSRG or CNRG each does not have any intention to transfer, charge or pledge any CNR Share acquired pursuant to the Merger to any other person.

(xxiv) As at the Latest Practicable Date, CSRG and CNRG each intended to continue with the existing business of CSR and had no intention to redeploy the fixed assets of CSR, or introduce any major changes to CSR's existing business or change the structure of the human resources or discontinue employment of the employees of the CSR Group.

(xxv) As at the Latest Practicable Date, there were no arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between CSR or any of the parties acting in concert with CSR and any other person.

(xxvi) Should there be any discrepancy between the Chinese version and the English version of this circular, the English version prevails.

中國南車股份有限公司
CSR CORPORATION LIMITED

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

(Stock code: 1766)

NOTICE OF FIRST CSR EGM OF 2015

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**CSR EGM**") of CSR CORPORATION LIMITED ("**CSR**") will be held at Empark Grand Hotel, No. 69 Banjing Road, Haidian District, Beijing, the PRC, on Monday, 9 March 2015 at 9:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions. Unless otherwise stated, capitalized terms used in this notice shall have the same meanings as defined in the circular of CSR dated 21 January 2015 (the "**CSR Circular**").

SPECIAL RESOLUTIONS

1. "**THAT** it be and is hereby confirmed that CSR has satisfied the conditions for material assets reorganisation pursuant to the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Administrative Measures for the Material Asset Reorganisation of Listed Companies."

2. "**THAT** the Merger Proposal regarding the merger of CSR and CNR through share exchange, the details of which are set out in the CSR Circular, be and is hereby approved, ratified and confirmed:

   (1) Parties to the Merger;

   (2) Method of the Merger;

   (3) Name of the Post-Merger New Company;

   (4) Share exchange targets;

   (5) Class and par value of the shares to be issued upon share exchange;

   (6) Exchange Ratio and exchange price;

(7) Protection mechanism for CSR Dissenting Shareholders;

(8) Protection mechanism for CNR Dissenting Shareholders;

(9) Arrangements for share option schemes;

(10) Arrangements for employees;

(11) Assets arrangement and issue of shares;

(12) Listing arrangement of the new shares to be issued under the Merger;

(13) Liabilities for breach of Merger Agreement;

(14) The Merger Agreement becoming effective;

(15) Implementation of the Merger; and

(16) Effective period of the resolution."

3. "**THAT** the terms and conditions and the implementation of the transactions contemplated under the Merger Agreement be and is hereby approved, ratified and confirmed."

4. "**THAT** the Draft Report for the Merger of CSR CORPORATION LIMITED and China CNR Corporation Limited (《中國南車股份有限公司、中國北車股份有限公司合併報告書(草案)》) and its summary (the "**Report and Summary**") be and are hereby approved, ratified and confirmed." (Details of the Report and Summary were contained in overseas regulatory announcements of CSR published on the website of the Hong Kong Stock Exchange on or around 20 January 2015.)

5. "**THAT**

(a) conditional upon the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in CSR H Shares, the grant of special mandate to the CSR's Board for the issuance of CSR H Shares pursuant to the Merger Agreement as set out in the CSR Circular be and is hereby approved; and

(b) the grant of specific mandate to the CSR's Board for the issuance of CSR A Shares pursuant to the Merger Agreement as set out in the CSR Circular be and is hereby approved."

6. **"THAT:**

CSR's Board and its authorized persons be authorized to exercise full powers to deal with matters relating to the Merger, including:

(a) to deal with specific matters relating to the Merger in accordance with the Merger Proposal considered and approved by CSR's general meeting and shareholders' class meeting, including but not limited to signing, executing, amending and completing all related agreements and other relevant legal documents involved in the Merger (including relevant waivers as set out in agreements required for the Merger); to carry out all procedures which are required in the course of, or necessary for the completion of, the Merger, such as all approvals, registrations, filings, ratifications, consents and notices; to engage intermediaries such as financial advisers, independent financial advisers, corporate legal advisers and audit firms for the Merger, and to authorize intermediaries such as financial advisers and their legal advisers, corporate legal advisers, audit firms and independent financial adviser to assist or represent CSR to deal with all specific matters related to the Merger, including but not limited to communication on behalf of CSR with relevant domestic and foreign regulatory bodies (including the CSRC, the SSE, the SFC, the Hong Kong Stock Exchange and other regulatory bodies) and submission of the relevant applications, and to ratify such procedures carried out and communication made with the relevant domestic and foreign regulatory departments and bodies prior to the date on which this resolution was approved; to make corresponding adjustments to the exchange price and Exchange Ratio due to any ex-rights or ex-dividend actions made to the shares of CSR between the date of announcement of the first board resolution and the Share Exchange Date and in accordance with the relevant laws and regulations or provisions or requirements of the relevant regulatory bodies, and to handle specifically matters concerning the issuance, registration, transfer and listing on the SSE and the Hong Kong Stock Exchange of related shares; to make all domestic and foreign disclosures of information relating to the Merger (including but not limited to the release of the Joint Announcement of the Merger together with CNR); to determine the implementation proposal for the put option of CSR's Dissenting Shareholders, and to make corresponding adjustments to the exercise price of the CSR Put Option due to any ex-rights or ex-dividend

actions made to the shares of CSR between the date of announcement of the first board resolution and the Share Exchange Date and in accordance with relevant laws and regulations or provisions or requirements of the relevant regulatory bodies; to carry out procedures such as the transfer, delivery and update of assets, liabilities, businesses, qualifications, employees, contracts and all other rights and obligations involved in the Merger; to handle, in connection with the Merger, the amendment of CSR's Articles of Association, changing the company name to "CRRC Corporation Limited" (subject to the approval of SAIC and the registration with the Hong Kong Companies Registry), and other changes of business registration such as the registered capital and business scope; to deal with the change of stock codes and stock names of the Post-Merger New Company (change of the stock names and stock codes of the Post-Merger New Company are subject to further feasibility discussions), the company's new name and the related registration procedures and formalities; to engage foreign legal advisers and other intermediaries to apply to foreign antitrust review bodies for antitrust clearances, and to assist CSR in obtaining such clearances;

(b) in compliance with relevant laws and regulations and normative documents and on the condition of not going beyond the resolution passed at the shareholders' general meeting, to make corresponding adjustments to the detailed proposal for the Merger in accordance with the actual circumstances of the Merger or pursuant to requests from relevant approval authorities and regulatory departments, or to make amendments and additions to the transaction documents relating to the Merger (other than in respect of matters which are required under relevant laws and regulations, normative documents or the Articles of Association to be re-voted on by the general meeting);

(c) on the condition of not going beyond the resolution passed at the shareholders' general meeting, to prepare, modify and submit application documents, circular to shareholders and other related documents for the Merger in accordance with the requirements of relevant approval authorities and regulatory departments;

(d) to assist in dealing with the delisting of CNR involved in the Merger;

(e) to handle all other specific matters related to the Merger;

(f) subject to CSR's Board being granted all authorizations contained in this resolution and except as otherwise provided in the relevant laws and regulations, normative documents and CSR's Articles of Association, to authorize CSR's Board to delegate the power of exercise of all authorizations contained in this resolution to the chairman Mr. Zheng Changhong and his authorized persons; and

(g) the abovementioned authorization shall be effective for twelve months from the date of its approval by the general meeting, provided that if CSR obtains approval for the Merger from the CSRC during the period the authorization remains effective, the effective period of the authorization shall automatically be extended until the completion date of the Merger."

7. "**THAT**

(a) prior to the Closing Date of the Merger, no ex-rights or ex-dividend actions be undertaken by CSR and CNR such as distribution of rights, conversion and capitalization of reserves into share capital and placing of shares;

(b) any accumulated profits of CSR and CNR which remain undistributed as at the Closing Date of the Merger be for the benefit of shareholders of the Post-Merger New Company as a whole; and

(c) after completion of the Merger, the Post-Merger New Company shall consider and make arrangements for the 2014 profit distribution after taking into account factors such as 2014 net profits and cash flows of CSR and CNR."

8. "**THAT** the share option scheme adopted by CSR on 26 April 2011 for grant of share options to the participants to subscribe for CSR A shares be terminated conditional upon the completion of the Merger and the share options granted pursuant to such share option scheme but not yet vested thereunder shall terminate and not become effective and shall be cancelled accordingly."

ORDINARY RESOLUTION

9. "**THAT** the waiver granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission pursuant to note 1 on dispensations for Rule 26 of the Hong Kong Code on Takeovers and Mergers waiving any obligation of 中國南車集團公司 (CSR Group) ("**CSRG**"), 中國北方機車車輛工業集團公司 (China Northern Locomotive and Rolling Stock Industry (Group) Corporation) ("**CNRG**") and/or any successor entity resulting from the merger of CSRG and CNRG and their respective concert parties to make a mandatory general offer to acquire the issued shares of the Post-Merger New Company (as defined in the CSR Circular) not already owned or agreed to be acquired by CSRG, CNRG and/or any successor entity resulting from the merger of CSRG and CNRG and their respective concert parties, as a result of and after either (a) completion of the Merger; or (b) any future possible merger of CSRG and CNRG be and is hereby approved."

By Order of CSR's Board
CSR CORPORATION LIMITED
Zheng Changhong
Chairman

Beijing, China
21 January 2015

Notes:

1. Details of the above resolutions are set out in the CSR Circular.

2. CSR's H share register of members will be closed from Saturday, 7 February 2015 to Monday, 9 March 2015 (both dates inclusive), during which period no transfer of CSR H Shares will be registered. Holders of CSR H Shares, who intend to attend the CSR EGM shall lodge their respective transfer documents and relevant share certificates at CSR's share registrar for CSR H Shares, Computershare Hong Kong Investor Services Limited, at Rooms 1712- 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. Friday, 6 February 2015. CSR H Shareholders registered at the Computershare Hong Kong Investor Services Limited on or prior to such date are entitled to attend the CSR EGM.

3. CSR Shareholders intending to attend the CSR EGM, in person or by proxy should return the reply slip to the Board Office of CSR (for holders of CSR A Shares) or to CSR's H share registrar, Computershare Hong Kong Investor Services Limited (for holders of CSR H Shares), on or prior to Tuesday, 17 February 2015 by hand, post or fax. The address of the CSR's H share registrar, Computershare Hong Kong Investor Services Limited, is 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (telephone: (852)2862 8633).

4. In order to be valid, the instrument appointing a proxy together with the signatory's power of attorney or other authority (if any) or copies of such power of attorney or authority certified by a notary must be delivered to slip to the Board Office of CSR (for holders of CSR A Shares) or to CSR's H share registrar, Computershare Hong Kong Investor Services Limited (for holders of CSR H Shares) not less than 24 hours before the time appointed for the holding of the CSR EGM or any adjournment thereof. After completion and return of the proxy form, you may attend and vote at the CSR EGM and any adjournment thereof should you wish to.

5. A shareholder may appoint one or more proxies to attend the EGM and vote in his stead. A proxy need not be a shareholder of CSR.

6. Where there are joint registered holders of any share, any one of such persons may vote at the EGM either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders is present at the EGM personally or by proxy, then one of the persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

7. The CSR EGM is expected to last for about half a day. CSR Shareholders attending the CSR EGM in person of by proxy will be responsible for their own transportation and accommodation expenses. Shareholders or their proxies should produce identification documents when attending the CSR EGM.

中國南車股份有限公司
CSR CORPORATION LIMITED

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

(Stock code: 1766)

NOTICE OF FIRST CSR H SHAREHOLDERS' CLASS MEETING OF 2015

Notice is hereby given that a H shareholders class meeting (the "**CSR H Shareholders' Class Meeting**") of CSR CORPORATION LIMITED ("**CSR**") will be held at Empark Grand Hotel, No. 69 Banjing Road, Haidian District, Beijing, the PRC, on Monday, 9 March 2015 at 11:00 a.m., or immediately following the conclusion of the CSR EGM and CSR A Shareholders' Class Meeting or any adjournment thereof, for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions. Unless otherwise stated, capitalized terms used in this notice shall have the same meanings as defined in the circular of CSR dated 21 January 2015 (the "**CSR Circular**").

SPECIAL RESOLUTIONS

1. "**THAT** the Merger Proposal regarding the merger of CSR and CNR through share exchange, the details of which were set out in the CSR Circular, be and is hereby approved, ratified and confirmed."

2. "**THAT**

   (a) conditional upon the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in CSR H Shares, the grant of special mandate to the CSR's Board for the issuance of CSR H Shares pursuant to the Merger Agreement as set out in the CSR Circular be and is hereby approved; and

   (b) the grant of specific mandate to the CSR's Board for the issuance of CSR A Shares pursuant to the Merger Agreement as set out in the CSR Circular be and is hereby approved."

3. "**THAT** the share option scheme adopted by CSR on 26 April 2011 for grant of share options to the participants to subscribe for CSR A shares be terminated conditional upon the completion of the Merger and the share options granted pursuant to such share option scheme but not yet vested thereunder shall terminate and not become effective and shall be cancelled accordingly."

By Order of CSR's Board
CSR CORPORATION LIMITED
Zheng Changhong
Chairman

Beijing, China
21 January 2015

Notes:

1. Details of the above resolutions are set out in CSR's circular dated 21 January, 2015 (the "**Circular**").

2. CSR's H share register of members will be closed from Saturday, 7 February 2015 to Monday, 9 March 2015 (both dates inclusive), during which period no transfer of CSR H Shares will be registered. Holders of CSR H Shares, who intends to attend the CSR H Shareholders' Class Meeting shall lodge their respective transfer documents and relevant share certificates at CSR H share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. Friday, 6 February 2015. CSR H Shareholders registered at the Computershare Hong Kong Investor Services Limited on or prior to such date are entitled to attend the CSR H Shareholders' Class Meeting.

3. CSR Shareholders intending to attend the CSR H Shareholders' Class Meeting, in person or by proxy should return the reply slip to CSR's H share registrar, Computershare Hong Kong Investor Services Limited, on or prior to Tuesday, 17 February 2015 by hand, post or fax. The address of CSR's H share registrar, Computershare Hong Kong Investor Services Limited is 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (telephone: (852)2862 8633).

4. In order to be valid, the instrument appointing a proxy together with the signatory's power of attorney or other authority (if any) or copies of such power of attorney or authority certified by a notary must be delivered to slip to CSR's H share registrar, Computershare Hong Kong Investor Services Limited not less than 24 hours before the time appointed for the holding of the CSR H Shareholders' Class Meeting or any adjournment thereof. After completion and return of the proxy form, you may attend and vote at the CSR H Shareholders' Class Meeting and any adjournment thereof should you wish to.

5. A shareholder may appoint one or more proxies to attend the H Shareholders' Class Meeting and vote in his stead. A proxy need not be a shareholder of CSR.

6. Where there are joint registered holders of any share, any one of such persons may vote at the H Shareholders' Class Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders is present at the H Shareholders' Class Meeting personally or by proxy, then one of the persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

7. The CSR H Shareholders' Class Meeting is expected to last for about half a day. CSR Shareholders attending the CSR H Shareholders' Class Meeting in person or by proxy will be responsible for their own transportation and accommodation expenses. CSR Shareholders or their proxies should produce their identification documents when attending the CSR H Shareholders' Class Meeting.