



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

Stock Code : 1766

INTERIM REPORT 2014

*Go Green to Drive the World*



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# Key Businesses



## Important Notice

- I. The board of directors (the "Board") and supervisory committee (the "Supervisory Committee") of the Company and its directors (the "Director(s)"), supervisors (the "Supervisor(s)") and senior management (the "Senior Management") warrant that there are no false representations, misleading statements contained in or material omissions from this interim report and they will assume joint and several legal liabilities for the truthfulness, accuracy and completeness of the contents disclosed herein.
- II. This interim report has been considered and approved by the 4th meeting of the 3rd session of Board and all directors of the Company attended the Board meeting.
- III. The interim condensed consolidated financial report of the Company were unaudited.
- IV. Zheng Changhong, Chairman of the Company, Zhan Yanjing, the person-in-charge of accounting affairs, and Liu Jiang, the head of the Accounting Department, warrant the truthfulness, accuracy and completeness of the interim condensed consolidated financial report in this interim report.
- V. Forward-looking statements included in this interim report, including future plans and development strategies, do not constitute a guarantee of the Company to investors. Investors shall be aware of the risks of investment.
- VI. There was no appropriation of the Company's capital by its controlling shareholders or associates for non-operating purposes.
- VII. There was no provision of guarantee by the Company in favour of any external party in violation of the prescribed decision-making procedures.
- VIII. Unless otherwise indicated, Renminbi is the recording currency in this interim report.



# Company Profile



- |                       |                         |
|-----------------------|-------------------------|
| Chinese name:         | 中國南車股份有限公司              |
| Chinese abbreviation: | 中國南車                    |
| English name:         | CSR Corporation Limited |
| English abbreviation: | CSR                     |
  
- |                              |   |
|------------------------------|---|
| Place of listing of A share: | Shanghai Stock Exchange                 |
| Abbreviation of A share:     | CSR                                     |
| Stock code of A share:       | 601766                                  |
| Place of listing of H share: | The Stock Exchange of Hong Kong Limited |
| Abbreviation of H share:     | CSR                                     |
| Stock code of H share:       | 1766                                    |

3. Registered address: No. 16 Central West Fourth Ring Road,  
Haidian District, Beijing
- Business address: No. 16 Central West Fourth Ring Road,  
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- Website: [www.csrgc.com.cn](http://www.csrgc.com.cn)
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4. Legal representative: Zheng Changhong
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- Tel: 010-51862188
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Haidian District, Beijing
- Representative of securities affairs: Ding Youjun
- Tel: 010-51862188
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- E-mail: [csr@csrgc.com](mailto:csr@csrgc.com)
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Haidian District, Beijing
6. Newspapers designated by the Company for disclosure of A share information: China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
- Website designated by China Securities Regulatory Commission for publishing the half-year report (A share) of the Company: [www.sse.com.cn](http://www.sse.com.cn)
- Website designated by The Stock Exchange of Hong Kong Limited for publishing the interim report (H share) of the Company: [www.hkex.com.hk](http://www.hkex.com.hk)
- Place where the half-year report is available: Board Office, No. 16 Central West Fourth Ring Road, Haidian District, Beijing
7. Other relevant information
- Business registration date: 28 December 2007
- Registered address: No. 16 Central West Fourth Ring Road,  
Haidian District, Beijing
- Corporate business license registration number: 100000000041417
- Taxation registration number: 110108710935222
- Organisation code: 71093522-2



8.	Auditors appointed by the Company Name of auditors (domestic): Address of the auditors (domestic):	Deloitte Touche Tohmatsu CPA LLP 8/F, Office Tower W2, The Towers, Oriental Plaza, 1 East Chang An Avenue Beijing, the PRC
	Name of auditors (overseas): Address of auditors (overseas):	Deloitte Touche Tohmatsu 35/F, One Pacific Place, 88 Queensway, Hong Kong
9.	Joint company secretaries	Shao Renqiang and Wong Kai Yan, Thomas
10.	Authorised representatives	Fu Jianguo and Wong Kai Yan, Thomas
11.	Legal advisers	
	<i>As to Hong Kong laws:</i>	Baker & McKenzie 23rd Floor, One Pacific Place, 88 Queensway, Hong Kong
	<i>As to PRC laws:</i>	Jia Yuan Law Offices F408, Ocean Plaza, 158 Fuxing Men Nei Avenue, Beijing, the PRC
12.	Principal place of business in Hong Kong:	Unit H, 41/F., Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong
13.	PRC share registrar  Correspondence address:	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai
14.	Hong Kong share registrar Correspondence address:	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

# Results Highlights

From January to June 2014, the Company recorded revenue of RMB49,771,093 thousand, representing an increase of 36.58% as compared with the same period last year. The Company recorded profits after tax of RMB2,617,604 thousand, representing an increase of 56.39% as compared with the same period last year. Profit attributable to owners of the Company was RMB2,061,911 thousand, representing an increase of 41.09% as compared with the same period last year. Basic earnings per share were RMB0.15.

Major financial data and indexes are set out in the following tables:

Currency: RMB

Item	January to June 2014 Amount (RMB' 000)	January to June 2013 Amount (RMB' 000)	Increase/decrease %
Revenue (RMB'000)	<b>49,771,093</b>	36,440,885	36.58
Profit after tax (RMB'000)	<b>2,617,604</b>	1,673,750	56.39
Profit attributable to owners of the Company (RMB'000)	<b>2,061,911</b>	1,461,406	41.09
Basic earnings per share (RMB/share)	<b>0.15</b>	0.11	36.36

Currency: RMB

Item	30 June 2014 Amount (RMB' 000)	31 December 2013 Amount (RMB' 000)	Increase/decrease %
Total assets (RMB'000)	<b>142,306,387</b>	121,129,412	17.48
Total liabilities (RMB'000)	<b>95,049,671</b>	74,974,781	26.78
Total equity (RMB'000)	<b>47,256,716</b>	46,154,631	2.39
Including: Equity attributable to owners of the Company (RMB'000)	<b>37,291,150</b>	36,559,903	2.00
Shareholders' interest per share (RMB/share)	<b>2.70</b>	2.65	1.89

# Report of Directors



## I. THE BOARD'S DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

In the first half of 2014, the Company accelerated the implementation of its strategies to deepen its corporate reform and promote the transformation and upgrading. The Company continued to put more efforts on technological innovation and management innovation to strengthen basic management. Through reinforcement of internal synergy and innovation of the profit model, the Company grasped excellent market opportunities arising from MUs and rapid transit vehicles. With continuous implementation of the policy of "CSR with double efficiencies" (雙效南車), the Company achieved excellent operating results. In the first half of 2014, the revenue of the Company amounted to RMB49,771,093 thousand, representing an increase of 36.58% as compared with the same period last year; while the profit attributable to owners of the Company amounted to RMB2,061,911 thousand, representing an increase of 41.09% as compared with the same period last year.





**(I) ANALYSIS ON THE CORE BUSINESSES****1. Analysis on the operation of the Company****(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 businesses	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)
<b>Total</b>	<b>49,771,093</b>	<b>100.00</b>	<b>36,440,885</b>	<b>100.00</b>	<b>36.58</b>





In the first half of 2014, the accumulated revenue of the Company 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 our 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 our 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 our 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 our 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 our 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 our 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

Region	January to June 2014		January to June 2013		Growth rate
	Amount (RMB'000)	Percentage %	Amount (RMB'000)	Percentage %	
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	January to	Growth rate %
	June 2014	June 2013	
	Amount	Amount	
	(RMB'000)	(RMB'000)	
Revenue	<b>49,771,093</b>	36,440,885	36.58
Cost of sales	<b>40,467,796</b>	30,329,204	33.43
Gross profit	<b>9,303,297</b>	6,111,681	52.22
Gross profit margin	<b>18.69%</b>	16.77%	

The Company's 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 Company's 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 of the Company during the reporting period****(1) Composition and changes of major assets of the Company during the reporting period****The composition and changes of major assets (in net value)**

Item	30 June 2014		31 December 2013		Growth Rate %
	Amount	Percentage	Amount	Percentage	
	(RMB'000)	%	(RMB'000)	%	
Total current assets	<b>102,005,064</b>	<b>71.68</b>	83,056,933	68.57	22.81
Of which: Cash and cash equivalents	<b>15,563,698</b>	<b>10.94</b>	14,905,100	12.31	4.42
Pledged bank deposits	<b>3,572,823</b>	<b>2.50</b>	1,495,037	1.23	138.98
Trade receivables	<b>38,404,706</b>	<b>26.99</b>	34,120,810	28.17	12.56
Prepayment, deposits and other receivables	<b>13,121,203</b>	<b>9.22</b>	8,457,464	6.98	55.14
Inventories	<b>27,646,712</b>	<b>19.43</b>	17,721,119	14.63	56.01
Total non-current assets	<b>40,301,323</b>	<b>28.32</b>	38,072,479	31.43	5.85
Of which: Property, plant and equipment	<b>26,028,726</b>	<b>18.29</b>	25,200,595	20.80	3.29
Total assets	<b>142,306,387</b>	<b>100.00</b>	121,129,412	100.00	17.48

As at 30 June 2014, the ratio of current assets to total assets of the Company was 71.68%. The asset portfolio of the Company was contributed mainly by current assets and less by non-current assets. Such feature was mainly a result of longer production cycle of the equipment manufacturing industry during the operation.

The cash and cash equivalents of the Company as at the end of the period 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 of the Company. In relative terms, the cash and cash equivalents accounted for 10.94% of the total assets at the end of the period, representing a decrease of 1.37 percentage points as compared to the beginning of the year.



The pledged bank deposits of the Company as at the end of the period 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 at the end of the period, representing an increase of 1.27 percentage points as compared to the beginning of the year.

The trade receivables of the Company as at the end of the period 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 at the end of the period, representing a decrease of 1.18 percentage points as compared to the beginning of the year.

The prepayments, deposits and other receivables as at the end of the period 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 of the Company. In relative terms, the balance of prepayments, deposits and other receivables accounted for 9.22% of the total assets at the end of the period, representing an increase of 2.24 percentage points as compared to the beginning of the year.

The net inventories of the Company as at the end of the period 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 during the period. In relative terms, the inventories accounted for 19.43% of the total assets at the end of the period, representing an increase of 4.80 percentage points as compared to the beginning of the year.

The property, plant and equipment as at the end of the period 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 during the period. In relative terms, the property, plant and equipment accounted for 18.29% of the total assets at the end of the period, representing a decrease of 2.51 percentage points as compared to the beginning of the year.

## (2) Composition and changes of major liabilities of the Company during the reporting period

Item	30 June 2014		31 December 2013		Growth Rate
	Amount (RMB'000)	Percentage %	Amount (RMB'000)	Percentage %	
Total current liabilities	<b>86,078,590</b>	<b>90.56</b>	67,000,199	89.36	28.48
Of which: Interest-bearing bank and other borrowings	<b>17,604,702</b>	<b>18.52</b>	7,606,292	10.15	131.45
Bills payables	<b>10,574,251</b>	<b>11.12</b>	13,574,959	18.11	(22.10)
Trade payables	<b>39,310,551</b>	<b>41.36</b>	31,798,126	42.41	23.63
Other payables and accruals	<b>17,091,418</b>	<b>17.98</b>	12,523,543	16.70	36.47
Total non-current liabilities	<b>8,971,081</b>	<b>9.44</b>	7,974,582	10.64	12.50
Of which: Interest-bearing bank and other borrowings	<b>4,066,262</b>	<b>4.28</b>	3,568,511	4.76	13.95
Defined benefit obligations	<b>1,200,404</b>	<b>1.26</b>	1,232,950	1.64	(2.64)
Provision for warranties	<b>1,479,718</b>	<b>1.56</b>	1,147,285	1.53	28.98
Total liabilities	<b>95,049,671</b>	<b>100</b>	74,974,781	100	26.78

As at 30 June 2014, the current liabilities of the Company accounted for 90.56% of the total liabilities. The structure of the Company's liabilities was featured by a high proportion of current liabilities, which echoed with the high proportion of current assets.

The short-term interest-bearing bank and other borrowings of the Company as at the end of the period increased by 131.45% as compared with the beginning of the year, mainly attributable to the addition of certain additional short-term borrowings of the Company. In relative terms, the short-term interest-bearing bank and other borrowings accounted for 18.52% of the total liabilities at the end of the period, representing an increase of 8.37 percentage points as compared to the beginning of the year.

The bills payables of the Company as at the end of the period 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 at the end of the period, representing a decrease of 6.99 percentage points as compared to the beginning of the year.

The trade payables of the Company as at the end of the period 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 at the end of the period, representing a decrease of 1.05 percentage points as compared to the beginning of the year.

The other payables and accruals of the Company as at the end of the period 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 at the end of the period, representing an increase of 1.28 percentage points as compared to the beginning of the year.

The interest-bearing bank and other borrowings of the Company as at the end of the period 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 at the end of the period, representing a decrease of 0.48 percentage point as compared to the beginning of the year.

The provision for warranties of the Company as at the end of the period 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 at the end of the period, 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 of the Company increased to 66.79% from 61.90% at the beginning of the year.





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

Item	January to	January to	Growth rate
	June 2014	June 2013	
	Amount	Amount	%
	(RMB'000)	(RMB'000)	
Selling and distribution costs	<b>1,669,725</b>	1,043,694	59.98
Administrative expenses	<b>4,364,422</b>	3,272,801	33.35
Finance costs	<b>295,615</b>	275,281	7.39
Share of profits and losses of jointly-controlled entities and associates	<b>174,082</b>	243,889	(28.62)
Income tax expense	<b>614,588</b>	344,237	78.54

During the period, 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.

During the period, 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.

During the period, 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 during the period.

During the period, 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.

During the period, 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 during the reporting period

Item	January to	January to	Increase
	June 2014	June 2013	
	Amount	Amount	(RMB'000)
	(RMB'000)	(RMB'000)	
Net cash flow from operating activities	<b>(4,750,037)</b>	(3,250,464)	(1,499,573)
Net cash flow from investment activities	<b>(4,966,953)</b>	(1,939,247)	(3,027,706)
Net cash flow from financing activities	<b>10,288,982</b>	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 of the Company 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	<u>2,221</u>	<u>1,592</u>

## 6. Particulars of contingent liabilities of the Company

Save as the guarantees provided by the Company as stated in Significant Events under Section 4 of this interim report, the Company had no other material contingent liabilities.

## 7. Particulars of pledge of assets of the Company

As at the end of the reporting period, the following assets of the Company 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 of the Company and the related remuneration and training

As at the end of the reporting period, there were no significant changes to the numbers, compositions and remuneration of and trainings for the Company's staff.

## 9. Analysis on implementation progress of various financing and material asset reorganisation events

- (1) Non-public issuance of shares: Please refer to "3. Use of Proceeds of (III) Analysis on Investment in Section 3 Report of Directors" of this interim report for details of analysis on implementation progress of non-public issuance of A shares.
- (2) Corporate bonds: On 22 April 2013, the Company 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, the Company had paid the first tranche of interests of the 5-year bonds and 10-year bonds.
- (3) Ultra short-term debentures: On 4 September 2013, the Company issued ultra short-term debentures with a term of 180 days in the PRC interbank bond market, with an issue amount of RMB2 billion. The interest rate was 4.80% and the maturity date was 4 March 2014, which has been repaid upon maturity on 4 March 2014. On 28 February, the Company 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, the Company 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.



## 10. Progress of business plan and work plan in the second half of the year

In the first half of 2014, the Company actively implemented its business plan for the year and continuously facilitated all tasks. Accordingly, the operating performance of the Company was outstanding. The revenue of the Company amounted to RMB49.771 billion, representing an increase of 36.58% over the same period last year; while the net profit attributable to owners of the parent amounted to RMB2.062 billion, representing an increase of 41.09% over the same period last year.

In the second half of 2014, adhering to the overall requirements and business targets of 2014, the Company will continue to comply with the operating principle of "consistency, deepening and breakthrough" to increase its operation quality and profitability. Aiming at achieving the targets of operation, transformation and upgrading set for the year, the Company will complete the operation tasks of the year. It will focus on the implementation of the following measures: 1. improvement and integration of the business structure; implementation of transformation and breakthroughs, establishment of new business model in order to adapt to the existing demands from integrated equipment, turnkey projects, systematic solutions, and to be more able to make self-adjustments; 2. optimisation of the economic responsibility assessment; implementation of a new-round assessment of assets operation accountability to gradually realise the transformation on the ideology of operation from "assets operation" to "capital operation"; 3. acceleration of the research and development of new products and core technology; continual improvement of the research and development on reserved new products and technology in order to fulfill the system of products; 4. continuous improvement of the quality of products and services; firm establishment of the awareness that the quality and safety of products come first in order to upgrade the competitiveness of quality and increase the acceptance from customers; 5. establishment of long-term management and improvement mechanism; effective completion of the summary, assessment, consolidation of results and the experience promotion on management reinforcement activities in order to establish an effective and long-term system on management reinforcement.

## (II) Analysis on core competitiveness

In the first half of 2014, the Company insisted on the guidelines of "focus on the independent innovation, achieve breakthrough in key fields, support the economic development and guide future development". It implemented the innovation-driven strategy, in a bid to improve the core competitiveness. The Company continued to increase investment in science and technology R&D and carried out 813 R&D projects. Investment in science and technology R&D totaled RMB2.570 billion throughout the year, which accounted for 5.20% of the revenue, among which, the R&D expenses was RMB2.074 billion, representing an increase of 74.73% as compared with RMB1,187 million for the same period last year.

The "Technological Innovation Project of Developing Three Technology Platforms for Rolling Stock of CSR" (中國南車軌道交通裝備三大技術平臺建設技術創新工程) was awarded the Second Prize of National Science and Technology Advancement Award. The "National Energy High-power Electric and Electronic Components R&D Center" (國家能源大功率電力電子器件研發中心) passed the review at national level. The "Generic Technology and System Integration Technology" (共性基礎及系統集成技術) and "Critical Materials and Reliability of Components for High-speed Train" (高速列車關鍵材料及部件可靠性), two national science-technology support plan projects passed the review. CRH6A inter-city MUs passed the examination for trial operation. HXD1 electric locomotive undertook the traction of 30,000 tonnes heavy-hauling locomotives successfully. The world's first super-capacitor storage type 100% low-floor tram was manufactured successfully, and will be put into trial run in Guangzhou at the end of the year. Two world-leading 100% low-floor trams have come off the assembling line. The self-developed new energy vehicle has the energy-saving rate of 40%, 10 percentages higher than the similar local European products, and served the World Cup in Brazil. The Company trial-produced the 30t axle load C96H open wagon for coal transportation, which will become the freight wagon with the heaviest axle load on the existing lines. KM98A(h) aluminium alloy coal hopper wagon was undergoing examination for trail operation. The self-developed 6-inch 5000A/8500V thyristor has been used in the Hami-Zhengzhou ±800 kV D.C. High-voltage Transmission Project, and represented the top standards around the world. The independently developed frequency conversion finish rolling motor with separate power, among the first batch in the PRC, operates in a great manner and broke through the technical monopoly of foreign companies in this region.

### (III) ANALYSIS ON INVESTMENT

#### 1. General analysis on external equity investment

During the reporting period, the Company'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	Number of Shares Held	Carrying	Percentage in	Gain or Loss
				Investment Amount		Amount	Securities Investment	Occurred in
				(HKD)	(share)	(HKD)	(%)	(HKD)
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 the Company

Stock Code	Stock Short Name	Initial Investment Amount	Shareholding	Shareholding	Carrying Amount	Gain or Loss Occurred in the Reporting Period	Changes in	Accounting Items	Source of Shares
			at the beginning of the period (%)	at the end of the period (%)			Owner's Equity in the Reporting Period		
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 the Company 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 held by the Company

Currency: RMB

Name of Institution	Initial	Shareholding at	Shareholding	Carrying Amount	Gain or Loss	Changes in	Accounting	Source of
	Investment	the Beginning	at the End	at the End	Occurred in	Owner's Equity		
	Amount	of the Period	of the Period	of the Period	the Reporting	in the Reporting	Items	Shares
	(RMB)	(%)	(%)	(RMB)	(RMB)	(RMB)		
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

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

## 2. Entrusted investment in non-financial corporations and investment in derivatives

### (1) Entrusted investment

During the reporting period, the Company 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.

### (2) Entrusted loans

The Company did not have any entrusted loans during the reporting period.

### (3) Other wealth management products and investment in derivatives

During the reporting period, the Company did not have any other significant wealth management products or investment in derivatives which should be disclosed.

## 3. Use of proceeds

For details of the use of proceeds raised from A share non-public offering of the Company in March 2012 during the reporting period, please refer to the Specific Report on Deposit and Actual Use of Proceeds Raised from A Share Offering of CSR Corporation Limited in the First Half of 2014 (《中國南車股份有限公司2014年上半年A股募集資金存放與實際使用情況的專項報告》) disclosed by the Company on the website of Shanghai Stock Exchange on 23 August 2014.



#### 4. Particulars of principal subsidiaries and major companies invested by the Company (figures below are prepared under the PRC GAAP)

Unit: '000 Currency: RMB

Name	Principal operations	Industry	Registered capital	Total assets	Net assets attributable to shareholders of the Company	Revenue	Net profit attributable to the parent Company
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

Unit: '000 Currency: RMB

Name of the investee company	Principal business scope	Net profit	Investment income from the investee company	Percentage of net profit of the Company (attributable to the parent)
BST	Production of transit vehicles	265,168	132,584	6.43

#### 5. Material projects not funded by raised proceeds

During the reporting period, the Company did not invest in any material projects not funded by raised proceeds.

## II. IMPLEMENTATION OR ADJUSTMENT OF THE PROFIT DISTRIBUTION PLAN ADOPTED DURING THE REPORTING PERIOD

The profit distribution plan for 2013 was considered and approved at the 2013 annual general meeting held by the Company on 16 June 2014. Based on the total share capital of the Company of 13,803,000,000 shares, the Company distributed final dividend for 2013 to all its shareholders for a cash dividend of RMB0.09 per share (tax inclusive), aggregating to approximately RMB1,242,270,000. Such profit distribution plan was completed on 29 July 2014.

# Significant Events



## I. CORPORATE GOVERNANCE

During the reporting period, the Company standardised its operation in strict compliance with requirements of the laws, regulations and normative documents promulgated in listing locations both at home and abroad. It established a modern corporate governance structure featuring “three meetings and one management” in accordance with laws and regulations such as the Company Law of the People’s Republic of China as well as requirements of rules and regulations issued by regulatory authorities. Through the establishment of an effective corporate governance mechanism, corporate governance and operation management were improved on a continuous manner, perfecting the corporate governance of the Company.

### Compliance with the Corporate Governance Code

After reviewing the corporate governance documents adopted by the Company, the Board is of the opinion that during the reporting period, the Company was in strict compliance with all the principles and code provisions in the Corporate Governance Code (Appendix 14 of the Hong Kong Listing Rules), and adopted part of the recommended best practices specified therein. In certain aspects, the corporate governance practices adopted by the Company are more stringent than the code provisions set out in the Corporate Governance Code.

### Securities transactions by Directors and Supervisors

The Company strictly complied with Hong Kong Listing Rules (especially the Model Code set out in Appendix 10), the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and Management Methods on Shares and Changes on the Shareholdings Held by Directors, Supervisors and Senior Management of CSR Corporation Limited. The Company regularly issued notice providing guidelines for security transactions of Directors and Supervisors, while same requests were also made for the key staff who may have access to the inside information of the Company. The Company confirmed that all Directors and Supervisors had complied with the abovementioned requirements regarding securities transactions during the reporting period.

### Review of Interim Report by the Audit and Risk Management Committee

The Audit and Risk Management Committee of the Company has reviewed the unaudited interim condensed consolidated financial report and interim report of the Company for the six months ended 30 June 2014 and agreed to submit to the Board for consideration and approval.

## II. MATERIAL LITIGATION, ARBITRATION AND MATTERS WIDELY CONTESTED BY THE MEDIA

The Company was not involved in any material litigation, arbitration or matters widely contested by the media during the reporting period.

### III. MATTERS RELATED TO BANKRUPTCY AND REORGANISATION

There were no events relating to bankruptcy or reorganisation during the reporting period.

### IV. MATTERS RELATED TO ASSETS TRANSACTIONS AND CORPORATE MERGERS

Please refer to Note 20 to the financial statements in this interim report for details of the Company's assets transactions and corporate mergers.

### V. THE COMPANY'S SHARE INCENTIVES AND THEIR EFFECTS

In 2011, the Board and the general meeting of the Company successively considered and approved the resolutions in relation to the share option scheme, the measures for appraisal of performance of participants to the share option scheme and the share option grant date, and determined that 27 April 2011 was the grant date under the share option scheme.

Pursuant to the requirements of relevant terms of the share option scheme adopted by the Company, subject to fulfilment of certain effective conditions, each participant may exercise up to 1/3 of the total share options granted during the first exercisable period, which shall commence on the first trading day after the expiration of the 24-month period following the grant date and shall end on the last trading day preceding the expiration of the 60-month period following the grant date. As the 2012 annual results of the Company failed to achieve the required revenue growth rate under the share option scheme, the first batch of share options did not become effective. Pursuant to the requirements of relevant terms of the share option scheme, on 27 April 2013, the Company cancelled the share options not becoming effective totaling 12,201,667 shares. For details of the share options not becoming effective and the cancellation, please refer to the relevant announcement dated 27 April 2013 published on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and on the website of Shanghai Stock Exchange and the website of Hong Kong Stock Exchange. Pursuant to the requirements of relevant terms of the share option scheme adopted by the Company, subject to fulfillment of certain effective conditions, each participant may exercise up to 1/3 of the total share options granted during the second exercisable period, which shall commence on the first trading day after the expiration of the 36-month period following the grant date and shall end on the last trading day preceding the expiration of the 72-month period following the grant date. As the 2013 annual results of the Company failed to achieve the required revenue growth rate under the share option scheme, the second batch of share options did not become effective. Pursuant to the requirements of relevant terms of the share option scheme, on 28 April 2014, the Company cancelled the share options not becoming effective totaling 12,636,787 shares. For details of the share options not becoming effective and the cancellation mentioned above, please refer to the relevant announcement dated 26 April 2014 published on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and on the website of Shanghai Stock Exchange and the website of Hong Kong Stock Exchange.



Implementation of share incentives and their effects are as follows:

Unit: Share

Incentive method	Share options
Source of subject shares	Issue of A shares to the participants
Closing price of the A Shares on the trading day immediately preceding the grant date of the share options	RMB7.22/share
Scope of participants during the reporting period	Directors, Senior Management, and core technical (management) personnel deemed by the Company as necessary to be incentivized, excluding the independent directors, supervisors and substantial shareholders holding more than 5% of the share capital of the Company or the ultimate controllers, together with their respective spouses and lineal relatives.
Total granted but outstanding options at the beginning of the reporting period on cumulative basis	24,403,333
Total granted options during the reporting period	0
Total exercised options during the reporting period	0
Total lapsed options during the reporting period	12,636,787
Total granted but outstanding options at the end of the reporting period on cumulative basis	11,766,546
Total granted and exercised options at the end of the reporting period on cumulative basis	0
Adjustments to grant price and exercise price during the reporting period and latest grant price and exercise price after such adjustments	The grant price and exercise price of the share options is the closing price of the shares of the Company on the trading day immediately preceding the date of the share option scheme draft summary announcement, i.e. RMB5.43/share. As at the end of the reporting period, no adjustment was made to the grant price and exercise price.

#### Options granted to and exercised by Directors and Senior Management during the reporting period

Name	Position	Number of outstanding options at the beginning of the reporting period	Number of granted options during the reporting period	Number of exercised options during the reporting period	Number of lapsed options during the reporting period	Number of outstanding options at the end of the reporting period
Zheng Changhong	Chairman, Executive Director	133,333	0	0	66,667	66,666
Liu Hualong	Executive Director, President	113,333	0	0	56,667	56,666
Fu Jianguo	Executive Director	113,333	0	0	56,667	56,666
Zhang Jun	Vice President	113,333	0	0	56,667	56,666
Zhan Yanjing	Vice President, Chief Financial Officer	113,333	0	0	56,667	56,666
Wang Jun	Vice President	94,267	0	0	47,133	47,134
Lou Qiliang	Vice President	94,267	0	0	47,133	47,134
Xu Zongxiang	Vice President	94,267	0	0	47,133	47,134
Zhang Xinning	Chief Engineer	100,000	0	0	50,000	50,000
Shao Renqiang	Secretary to the Board, Chief Economist	100,000	0	0	50,000	50,000
Sub-total		1,069,466	0	0	534,734	534,732
Subtotal of other participants		23,333,867	0	0	12,102,053	11,231,814
Total		24,403,333	0	0	12,636,787	11,766,546



Validity period and exercise period of the share options	The validity period of the share options is for a term of 7 years commencing from the date on which the share options are granted. Upon expiry of the 2-year lock-up period commencing from the date on which the share options are granted, subject to the fulfilment of all effective conditions, the share options shall become exercisable in three separate batches, each with an exercise period of three years after 24 months, 36 months and 48 months respectively commencing from the date on which the share options are granted.
Equity changes arising from exercise of share options by participants	There was no equity change due to exercise by any participant.
Measurement of fair value of equity instrument	The Company adopts the Black-Scholes option pricing model as the equity instrument to measure the fair value of the share options.
Valuation model, parameters and selection criteria	Valuation model: Black-Scholes option pricing model Parameters selection criteria: Exercise price of share options: RMB5.43/share. Stock market price on grant date: RMB7.09/share. 27 April 2011 was the grant date. Estimated term of share options: 5–7 years. Estimated share price volatility: 52.68%–56.51% Estimated bonus yield rate: 0.60% Risk-free rate of interest: 3.481%–3.694%
Apportion period and result for fair value of equity instrument	Based on the selection of aforesaid parameters: the fair value of share options calculated with the Black-Scholes model option pricing formula was RMB151,009,745, among which, the option tariff of the Company recognized in January to June in 2014 was RMB(38,041,952) in total.  The calculation result of the share option value is based on certain assumptions of the used parameters and restricted by the model adopted. Therefore, the valuation of the share options might be subjective and inconclusive.

## VI. MATERIAL CONTRACTS AND THEIR PERFORMANCE

### (I) Trusts, contracting and lease arrangements

The Company did not enter into any material trust, contracting or lease arrangements during the reporting period.





## (II) Guarantees

Unit: '000 Currency: RMB

### Guarantees provided by the Company to external parties (excluding guarantees provided by the Company in favour of its subsidiaries)

Total guarantee amount provided during the reporting period (excluding guarantees provided by the Company in favour of its subsidiaries)	—
Total guarantee balance at the end of the reporting period (A) (excluding guarantees provided by the Company in favour of its subsidiaries)	—

### Guarantees provided by the Company in favour of its subsidiaries

Total guarantee amount provided to the Company's subsidiaries during the reporting period	5,563,190
Total guarantee balance provided to the Company's subsidiaries at the end of the reporting period (B)	7,318,447

### Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries)

Total guarantee amount (A+B)	7,318,447
Percentage of total guarantee amount to net assets of the Company (%) including:	19.63
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 of the Company equals the ratio of the guarantee amount over equity attributable to owners of the Company.

During the reporting period, the total guarantee amount provided by the Company 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 the Company's 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 the end of the reporting period, the Company did not provide any guarantees in favour of its controlling shareholders, ultimate controller and their related parties; all guarantees provided by the Company were in favour of its subsidiaries. As at the end of the reporting period, the guarantee balance provided by the Company in favour of its subsidiaries with gearing ratio over 70% was approximately RMB5,193 million. Approval procedures had been complied with at the Board meetings and the general meetings as required by the Articles of Associations in respect of the guarantees provided by the Company in favour of its wholly-owned and non-wholly owned subsidiaries with gearing ratio over 70%.

## (III) Other material contracts or transactions

During the reporting period, the newly signed orders of the Company aggregated RMB76.25 billion. For details of the announcements of material contracts published by the Company. Please refer to announcements of the Company dated 2 January, 18 March, 5 June and 10 June 2014 published on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively.

## VII. PERFORMANCE OF UNDERTAKINGS

- (I) The non-competition undertakings: As disclosed in the prospectus of initial public offering of the Company, i) CSRG undertakes that CSRG will not and will, through legal procedures, procure its wholly-owned and non wholly-owned subsidiaries not to engage in any businesses which might directly compete with the Company's current operating businesses; ii) Subject to the aforesaid undertaking i), should CSRG (including its wholly-owned and non wholly-owned subsidiaries or other associates) operate any products or provide any services that might be in competition with the principal products or services of the Company in the future, CSRG has agreed to grant the Company pre-emptive rights to acquire the assets or the entire equity interests in such subsidiaries related to such products or services from CSRG; iii) Subject to the aforesaid undertaking i), CSRG may develop advanced and lucrative projects in the future which fall within the Company's business scope, but it should grant pre-emptive right to the Company to purchase any achievements on such projects for operation under the same terms of transfer; iv) CSRG should indemnify the Company for its actual losses due to the losses arising from the failure in fulfilling undertakings i) to iii) as described above.

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

- (II) The undertaking made in respect of restructuring of South Huiton: As disclosed in the prospectus of initial public offering of the Company, for the purpose of non-competition between South Huiton and the Company regarding to freight wagon manufacturing businesses, CSRG, the controlling shareholder of the Company, undertakes that there should be a restructuring in CSRG's shareholdings and relevant assets in South Huiton, which includes but is not limit to CSRG's acquisition of South Huiton's assets in relation to the freight wagon businesses. CSRG will transfer the abovementioned assets in relation to the freight wagon businesses of South Huiton to the Company within three months from the date of acquisition of such assets. The transfer price will be determined through negotiation based on the result of the assets valuation. The above transfer of assets is subject to necessary review procedures pursuant to the requirements of the domestic and overseas regulatory bodies.

In January 2011, the Company received from CSRG, the controlling shareholder of the Company, the letter regarding the undertaking made by CSRG in respect of restructuring of South Huiton. Relevant details of the letter are as follows: 1. CSRG confirms that it designates the Company as its sole platform for its research and development, manufacturing, sale, repair and leasing of locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key components as well as other businesses that utilise proprietary rolling stock technologies; and 2. CSRG plans to, in five years or so, dispose of its equity interest in South Huiton by way of merger and acquisition of assets and/or reorganization and/or other means, and CSRG may transfer the acquired assets which relate to the freight wagons business to the Company after acquiring the relevant assets of South Huiton.

In June 2014, the Company received the Explanation Letter on the Undertakings Regarding South Huiton from CSRG, the content of which is as follows: CSRG issued to the Company the Letter on the Undertaking Regarding the Reorganization of South Huiton in January 2011, with the term of the said undertaking originally stated as "in five years or so". CSRG now specifies that such term shall be by January 2016. The other contents of the undertaking letter remain unchanged.

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



- (III) Undertakings on building ownership issues: As disclosed in the prospectus of initial public offering of the Company, the Company has not yet obtained property ownership certificates for 326 buildings with a total gross floor area of 282,019.03 square meters (representing 7.85% of the total gross floor area of the buildings occupied by the Company). For these buildings without property ownership certificates, CSRG has undertaken that, in respect of the assets injected by CSRG into the Company, including properties without proper ownership certificates due to incomplete planning or construction procedures, such properties should meet the requirements for the Company's production and operational use and that it should assume all the responsibilities to compensate and indemnify the Company for all financial losses incurred in relation to such properties.

By the end of the reporting period, the Company has not yet obtained Property Ownership Certificates for 93 buildings of CSR Chengdu with a total gross floor area of 55,180.49 square meters. During the reporting period, CSRG complied with its undertakings as stated above.

#### (IV) Other undertakings

1. CSRG undertook to voluntarily subject 6,422,914,285 tradable shares subject to trading moratorium it holds in the Company, which have been relieved from such trading moratorium on 18 August 2011, to another three-year lock-up period (i.e. from 18 August 2011 to 17 August 2014) commencing from 18 August 2011. During the lock-up period, such shares held by CSRG shall not be sold or transferred through the Shanghai Stock Exchange.

On 17 August 2014, the voluntary lock-up period of the aforementioned shares held by CSRG expired.

2. During the non-public issue of shares by the Company in 2012, CSRG undertook that the 1,362,103,700 shares of the Company subscribed by CSRG would not be transferred within 36 months from the completion date of such issue.

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

### VIII. APPOINTMENT AND REMOVAL OF AUDITORS

Pursuant to the relevant regulations provided by the Ministry of Finance of the People's Republic of China and the SASAC of the State Council, there are restrictions in respect of the term of audit services regarding to financial statements that an accounting firm continuously provides to a state-owned enterprise and its subsidiaries. Given the aforementioned requirements, the Company ceased to appoint Ernst & Young Hua Ming LLP and Ernst & Young as the audit institution for the 2014 financial report of the Company. On 16 June 2014, the appointments of Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu as the domestic and international audit firms of the Company for the year of 2014 respectively were approved at the 2013 annual general meeting of the Company.

### IX. PUNISHMENTS AND RECTIFICATIONS OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS WITH MORE THAN 5% OF SHAREHOLDING IN THE COMPANY, ULTIMATE CONTROLLER AND OFFEROR

During the reporting period, none of the Company, its Directors, Supervisors, Senior Management members, shareholders with more than 5% of shareholding in the Company, ultimate controllers or offerors was subject to any investigation, administrative punishment or criticism by CSRC or any condemnation by any stock exchanges.

## X. NOTES ON OTHER MATERIAL EVENTS

### Acquisition by Times New Material

The Company convened the thirtieth meeting of the second session of the Board on 11 December 2013, in which the Resolution in relation to the Merger and Acquisition Project by Times New Material Germany, a subsidiary of the Company (《關於公司下屬企業時代新材德國併購項目的議案》) was considered and passed, agreeing Times New Material, an indirectly non-wholly-owned subsidiary of the Company, to enter into an Acquisition Agreement with the part(ies) of the transaction in relation to the acquisition of relevant rubber and plastics businesses under ZF Group. On 11 December 2013, Times New Material, CSR Rubber & Plastics (Germany) GmbH (the project company established for the acquisition, which Times New Material indirectly holds 100% of its shares) and ZF Group entered into a Master Purchase Agreement. Pursuant to the agreement, the total value of the target asset is EUR290 million (as a base sum, which is subject to adjustment in accordance with the net liabilities and operating fund of the target assets as at the agreed effective date of the agreement). For details, please refer to the announcement of the Company dated 12 December 2013 disclosed on the websites of SSE and the Hong Kong Stock Exchange.

On 28 March 2014, local time in Berlin, Germany, the Company and Times New Material signed a cooperation memorandum with ZF Friedrichshafen AG on the above transaction, under which, the parties confirmed the provisions of the master purchase agreement, including purchase price, closing conditions, closing place and closing method. The transaction terms listed in the memorandum are the same as those provided for under the master purchase agreement. For details, please refer to the announcement of the Company published on the website of Shanghai Stock Exchange and the website of Hong Kong Stock Exchange on 1 April 2014. The audit work in relation to the transaction mentioned above has been finished and the relevant audited financial data have been disclosed by the Company. For details, please refer to the announcement of the Company published on the website of Shanghai Stock Exchange and the website of Hong Kong Stock Exchange on 22 May 2014.

# Changes in Share Capital and Particulars of Shareholders



## I. CHANGES IN SHARE CAPITAL

### (I) Changes in shares

#### 1. Changes in the shares are as follows:

Unit: share

	Quantity	Percentage (%)
I. Shares subject to trading moratorium	1,662,103,700	12.04
1. State-owned legal person shares	1,662,103,700	12.04
2. Other domestic shares	—	—
Comprising:		
Domestic non state-owned		
Corporate shares	—	—
II. Shares not subject to trading moratorium	12,140,896,300	87.96
1. Ordinary shares denominated in RMB	10,116,896,300	73.29
2. Overseas listed foreign shares	2,024,000,000	14.67
III. Total number of shares	13,803,000,000	100

#### 2. Particulars of changes in shares

During the reporting period, there were no changes in share capital of the Company.

#### 3. Public float

During the reporting period, the public float of the Company satisfies the requirement under Rule 8.08 of the Hong Kong Listing Rules.

#### 4. Purchase, sale or redemption of securities of the Company

During the reporting period, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's securities under the Hong Kong Listing Rules.

### (II) Changes in shares subject to trading moratorium

During the reporting period, there were no changes in shares subject to trading moratorium.

On 18 August 2014, 300,000,000 shares of Account No. 2 of the National Council for Social Security Fund which were subject to trading moratorium commenced trading. For details, please refer to the announcement published on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily, the website of the Shanghai Stock Exchange and the announcement dated 13 August 2014 on the website of the Hong Kong Stock Exchange.





## II. PARTICULARS OF SHAREHOLDERS

### (I) Number of shareholders and their shareholdings

#### 1. Total number of shareholders as at the end of the reporting period

As at the end of the reporting period, the Company had 254,761 shareholders in total, including 252,265 holders of A shares and 2,496 holders of H shares.

#### 2. Shareholdings of the top ten shareholders

Unit: share

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Total number of shares held	Change during the reporting period	Number of shares subject to trading moratorium	Number of shares pledged or frozen
CSRG	State-owned legal person	56.48	7,796,321,142	—	1,362,103,700	Nil
HKSCC NOMINEES LIMITED	Overseas legal person	14.62	2,017,363,839	(108,000)	—	Unknown
Account No. 2 of the National Council for Social Security Fund (全國社會保障基金理事會轉持二戶)	State-owned legal person	2.39	329,814,876	(714,000)	300,000,000	Unknown
China Construction Bank — Great Wall Brand Selective Stock Investment Fund (中國建設銀行—長城品牌 優選股票型證券投資基金)	Other	0.92	126,915,415	—	—	Unknown
Huaxia Life Insurance Co., Ltd. — Universal Life	Other	0.75	104,211,638	19,290,060	—	Unknown
Insurance Products (華夏人壽保險股份有限公司 — 萬能保險產品)	Other	0.67	93,085,715	—	—	Nil
CSR Capital Company	State-owned legal person	0.67	93,085,715	—	—	Nil
Anhui Investment Group Holdings Co., Ltd. (安徽省投資集團控股有限公司)	State-owned legal person	0.50	69,506,700	—	—	Unknown
Bank Negara Malaysia (馬來西亞國家銀行)	Other	0.49	67,282,480	51,149,293	—	Unknown
China National Machinery Industry Corporation (中國機械工業集團有限公司)	State-owned legal person	0.41	56,053,800	—	—	Unknown
National Social Security Fund 503 (全國社保基金五零三組合)	Other	0.39	53,811,600	—	—	Unknown

Connections or parties acting in concert among the aforesaid shareholders

CSR Capital Company is a wholly-owned subsidiary of CSRG. Save for the above, the Company is not aware of any connections among the other shareholders above, nor aware of any parties acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies.

Note: H shares held by HKSCC NOMINEES LIMITED were shares held on behalf of various customers.



## 3. Shareholdings of the top 10 holders of shares not subject to trading moratorium

Unit: share

Name of shareholder	Number of shares not subject to trading moratorium held	Type of shares
CSRG	6,434,217,442	Ordinary shares denominated in RMB
HKSCC NOMINEES LIMITED	2,017,363,839	Overseas listed foreign shares
China Construction Bank - Great Wall Brand Selective Stock Investment Fund (中國建設銀行—長城品牌優選股票型證券投資基金)	126,915,415	Ordinary shares denominated in RMB
Huaxia Life Insurance Co., Ltd. - Universal Life Insurance Products (華夏人壽保險股份有限公司-萬能保險產品)	104,211,638	Ordinary shares denominated in RMB
CSR Capital Company	93,085,715	Ordinary shares denominated in RMB
Anhui Investment Group Holdings Co., Ltd. (安徽省投資集團控股有限公司)	69,506,700	Ordinary shares denominated in RMB
Bank Negara Malaysia (馬來西亞國家銀行)	67,282,480	Ordinary shares denominated in RMB
China National Machinery Industry Corporation (中國機械工業集團有限公司)	56,053,800	Ordinary shares denominated in RMB
National Social Security Fund 503 (全國社保基金五零三組合)	53,811,600	Ordinary shares denominated in RMB
The Industrial and Commerce Bank of China Shanghai Stock Exchange 50 Openly Trading (中國工商銀行—上證50交易型開放式指數證券投資基金)	44,360,674	Ordinary shares denominated in RMB

Connections or parties acting in concert among the aforesaid shareholders

CSR Capital Company is a wholly-owned subsidiary of CSRG. Save for the above, the Company is not aware of any connections among the other shareholders above, nor aware of any parties acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies.

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

Unit: share

No.	Name of holders of shares subject to trading moratorium	Number of shares subject to trading moratorium held	Release of trading moratorium		Terms of trading moratorium
			Expiry date of trading moratorium	No. of additional shares available for listing and trading	
1	CSRG	1,362,103,700	15 March 2015	1,362,103,700	Not transferable within 36 months from 15 March 2012
2	Account No. 2 of the National Council for Social Security Fund (全國社會保障基金理事會轉持二戶)	300,000,000	18 August 2014	300,000,000	Implementation Measures on the Transfer of Certain State-owned Shares in Domestic Stock Market for Replenishing National Social Security Fund

Connections or parties acting in concert among the aforesaid shareholders

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



## 5. Substantial shareholders' interests and short positions in the Company

As at 30 June 2014, the persons set out in the table below had interest or short position in the Company's shares as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholders	Capacity	H share or A share	Nature of Interest	Number of H shares or A shares held	Percentage of H shares or A shares held in the total issued H shares or A shares (%)
CSRG <sup>(1)</sup>	Beneficial owner	A shares	Long position	7,796,321,142	66.19
	Interest of corporation controlled by the substantial shareholder	A shares	Long position	93,085,715	0.79
JPMorgan Chase & Co.	Beneficial owner/Investment manager/Custodian/Approved Lending agent	H shares	Long position	143,238,901	7.07
	Beneficial owner		Short position	7,402,323	0.36
	Custodian/Approved Lending agent		Lending pool	128,595,086	6.35
The Capital Group Companies, Inc.	Interest of corporation controlled by the substantial shareholder	H shares	Long position	140,368,000	6.94
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H shares	Long position	137,044,795	6.77
Schroders Plc	Investment manager	H shares	Long position	104,466,165	5.16
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 the Company through its wholly-owned subsidiary, CSR Capital Company.
- (2) Except for the direct holding of the 7,796,321,142 shares of the Company by CSRG and the proportion details, other information disclosed hereby is based on the information available on the website of the Hong Kong Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk).

Save as disclosed above, as far as the Directors are aware, as at 30 June 2014, no other person had interest and/or short position in the shares or underlying shares (as the case may be) of the Company which were required to be recorded in the register pursuant to section 336 of Part XV of the SFO, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

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

During the reporting period, no strategic investors or ordinary legal persons became top ten shareholders due to placing of shares.

## III. CHANGES IN THE CONTROLLING SHAREHOLDER OR THE ULTIMATE CONTROLLER

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



# Directors, Supervisors and Senior Management

## I. CHANGES IN SHAREHOLDING

### (I) Changes in shareholding by current and retired Directors, Supervisors and Senior Management during the reporting period

During the reporting period, there was no change in the shareholding of current and retired Directors, Supervisors and Senior Management.

### (II) Share options granted to Directors and Senior Management during the reporting period

Unit: share

Name	Position	Number of share options held at the beginning of the reporting period	Number of share options newly granted during the reporting period	Number of share options exercised during the reporting period	Number of share options cancelled during the reporting period	Number of outstanding share options held at the end of the reporting period
Zheng Changhong	Chairman, Executive Director	133,333	0	0	66,667	66,666
Liu Hualong	Executive Director, President	113,333	0	0	56,667	56,666
Fu Jianguo	Executive Director	113,333	0	0	56,667	56,666
Zhang Jun	Vice President	113,333	0	0	56,667	56,666
Zhan Yanjing	Vice President, Chief Financial Officer	113,333	0	0	56,667	56,666
Wang Jun	Vice President	94,267	0	0	47,133	47,134
Lou Qiliang	Vice President	94,267	0	0	47,133	47,134
Xu Zongxiang	Vice President	94,267	0	0	47,133	47,134
Zhang Xinning	Chief Engineer	100,000	0	0	50,000	50,000
Shao Renqiang	Secretary to the Board of Directors, Chief Economist	100,000	0	0	50,000	50,000
Total		1,069,466	0	0	534,734	534,732



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

As at 30 June 2014, the following Directors and Supervisors had interests in the A shares of the Company and relevant details are set out as follows:

*Unit: share*

Name	Position	Purchase date	Class of shares purchased	Number of shares purchased
Zheng Changhong	Chairman, Executive director	12 August 2011	A shares	60,000
Liu Hualong	Executive director, President	12 August 2011	A shares	50,000
Fu Jianguo	Executive director	12 August 2011	A shares	50,000
Wang Yan	Chairman of the Supervisory Committee	15 August 2011	A shares	30,000
Qiu Wei	Employee representative Supervisor	15 August 2011	A shares	30,000

Save as disclosed in (II) and (III) in this section, as at 30 June 2014, none of the Directors, Supervisors or Chief Executive of the Company, or their spouses or children under 18 had held interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code by the Directors or Supervisors.

## II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

During the reporting period, the term of the second session of the Board and the Supervisory Committee expired. Mr. Chen Dayang ceased to be the executive Director of the Company. Mr. Zhao Jibin, Mr. Yang Yuzhong, Mr. Chen Yongkuan, Mr. Dai Deming and Mr. Cai Dawei ceased to be the independent non-executive Directors of the Company.

The election was held on 2013 annual general meeting on 16 June 2014: Mr. Zheng Changhong, Mr. Liu Hualong and Mr. Fu Jianguo were elected as the executive Directors of the third session of the Board of the Company, Mr. Liu Zhiyong was elected as the non-executive Director, Mr. Yu Jianlong, Mr. Li Guoan, Mr. Wu Zhuo and Mr. Chen Jiaqiang were elected as the independent non-executive Directors, Mr. Wang Yan and Mr. Sun Ke were elected as the shareholder representative Supervisors of the third session of the Supervisory Committee of the Company, along with Mr. Qiu Wei, the employee representative supervisor, constituted the third session of the Supervisory Committee of the Company.

The first meeting of the third session of the Board elected Mr. Zheng Changhong to continue to serve as the chairman of the Company. The first meeting of the third session of the Supervisory Committee elected Mr. Wang Yan to continue to serve as the chairman of the Supervisory Committee of the Company. The second meeting of the third session of the Board of the Company continued to appoint: Mr. Liu Hualong as the president of the Company, Mr. Zhang Jun, Mr. Wang Jun, Mr. Lou Qiliang and Mr. Xu Zongxiang as the vice president of the Company, Ms. Zhan Yanjing as the vice president and chief financial officer of the Company, Mr. Zhang Xinning as the chief engineer of the Company, Mr. Shao Renqiang as the secretary to the Board and the chief economist. Mr. Fu Jianguo ceased to be the vice president of the Company.

On 4 August 2014, the Board received the written resignation report from Mr. Yu Jianlong, an independent non-executive director. Mr. Yu submitted a formal resignation to the Board due to personal work arrangement and will cease to serve as an independent non-executive director of the Company and a member of the Nomination Committee, the Remuneration and Evaluation Committee, and the Audit and Risk Management Committee of the Board. For details, please refer to the announcement published on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily, the website of the Shanghai Stock Exchange and the announcement dated 5 August 2014 on the website of the Hong Kong Stock Exchange.



### III. CHANGES OF INFORMATION OF DIRECTORS OR SUPERVISORS

During the reporting period, the following changes of information occurred on one Director of the Company:

Mr. Fu Jianguo, an executive director of the Company, has ceased to be the vice president of the Company since 16 June 2014.

Save as disclosed above, there were no changes in the information of other Directors or Supervisors of the Company disclosed pursuant to relevant requirements of Rule 13.51(2) of the Hong Kong Listing Rules.

# Condensed Consolidated Statement of Profit or Loss And Other Comprehensive Income

For The Six Months Ended 30 June 2014



	Notes	Six months ended 30 June	
		2014 RMB'000	2013 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
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)
<b>Other comprehensive (losses)/income for the period, net of income tax</b>		<b>(24,851)</b>	<b>131,573</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>2,592,753</b>	<b>1,805,323</b>
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
<b>Earnings per share</b>			
— Basic (RMB)	9	0.15	0.11
— Diluted (RMB)	9	0.15	0.11

# Condensed Consolidated Statement of Financial Position

At 30 June 2014

		30 June 2014 RMB'000	31 December 2013 RMB'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
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
		<b>40,301,323</b>	<b>38,072,479</b>
<b>CURRENT ASSETS</b>			
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
		<b>102,005,064</b>	<b>83,056,933</b>
<b>CURRENT LIABILITIES</b>			
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
		<b>86,078,590</b>	<b>67,000,199</b>





	Notes	30 June 2014 RMB'000	31 December 2013 RMB'000
<b>NET CURRENT ASSETS</b>		<b>15,926,474</b>	16,056,734
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>56,227,797</b>	54,129,213
<b>Capital and Reserves</b>			
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
<b>Total Equity</b>		<b>47,256,716</b>	46,154,631
<b>NON-CURRENT LIABILITIES</b>			
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
<b>Total Equity and Non-current Liabilities</b>		<b>56,227,797</b>	54,129,213

# Condensed Consolidated Statement of Changes In Equity

For The Six Months Ended 30 June 2014

	Attributable to owners of the Company											Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Share option reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Statutory surplus reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Proposed Final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	
<b>For the six months ended 30 June 2014</b>												
<b>At 1 January 2014</b>	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)
<b>At 30 June 2014</b>	<b>13,803,000</b>	<b>9,914,078*</b>	<b>88,393*</b>	<b>41,206*</b>	<b>131,970*</b>	<b>1,043,985*</b>	<b>(36,514)*</b>	<b>12,305,032*</b>	<b>—*</b>	<b>37,291,150</b>	<b>9,965,566</b>	<b>47,256,716</b>

\* 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.



Condensed Consolidated Statement of Changes In Equity (CONTINUED)  
For The Six Months Ended 30 June 2014

	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
<b>For the six months ended 30 June 2013</b>												
<b>At 1 January 2013</b>	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)
<b>At 30 June 2013</b>	<b>13,803,000</b>	<b>9,312,326*</b>	<b>(4,236)*</b>	<b>64,296*</b>	<b>—*</b>	<b>766,001*</b>	<b>(43,358)*</b>	<b>9,084,809*</b>	<b>—*</b>	<b>32,982,838</b>	<b>7,706,584</b>	<b>40,689,422</b>

\* 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

For The Six Months Ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	<b>(4,750,037)</b>	(3,250,464)
Net cash used in investing activities	<b>(4,966,953)</b>	(1,939,247)
Net cash generated from financing activities	<b>10,288,982</b>	3,030,152
Net increase (decrease) in cash and cash equivalents	<b>571,992</b>	(2,159,559)
Cash and cash equivalents at 1 January	<b>14,008,704</b>	14,452,266
Effect of foreign exchange rate changes	<b>21,278</b>	(69,170)
Cash and cash equivalents at 30 June, represented by Bank balances and cash	<b>14,601,974</b>	12,223,537

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014



## 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 RMB'000	2013 RMB'000
<b>Revenue</b>		
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	—
	<u>49,771,093</u>	<u>36,440,885</u>
<b>Other income</b>		
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
	<u>482,548</u>	<u>299,190</u>
<b>Other gains and losses</b>		
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)
	<u>13,127</u>	<u>80,347</u>
	<u>495,675</u>	<u>379,537</u>



## 5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2014 RMB'000	2013 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 ( <i>note</i> )	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)	—
	<b>2,073,082</b>	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
	<b>411,100</b>	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 RMB'000	2013 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
	<u>295,615</u>	<u>275,281</u>

## 7. INCOME TAX EXPENSE

The major components of income tax expense in the interim consolidated income statement are:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
<b>Current tax charge comprises</b>		
PRC enterprise income tax	685,411	390,050
Hong Kong Profits Tax	19	8,676
Other jurisdictions	4,263	5,629
	<u>689,693</u>	<u>404,355</u>
Deferred tax credit	(75,105)	(60,118)
	<u>614,588</u>	<u>344,237</u>

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 RMB'000	2013 RMB'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<b>2,061,911</b>	1,461,406
<b>Number of Shares</b>		
Number of domestic shares for the purpose of basic earnings per share	<b>13,803,000,000</b>	13,803,000,000
Effect of dilutive potential ordinary shares: share options	—	—
	<b>13,803,000,000</b>	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: RMB1,362million).

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 RMB'000	31 December 2013 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 RMB'000	31 December 2013 RMB'000
Trade receivables	39,507,388	34,886,943
Less: allowance for doubtful debts	(1,102,682)	(766,133)
	<b>38,404,706</b>	<b>34,120,810</b>

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 RMB'000	31 December 2013 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
	<b>38,404,706</b>	<b>34,120,810</b>

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
— CSR Group and its subsidiaries, excluding the Group (the "CSR Group")	60,590	64,959
— Joint ventures	45,779	52,617
— Associates	176,775	185,871
	<b>283,144</b>	<b>303,447</b>

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 RMB'000	31 December 2013 RMB'000
Prepayments	7,053,709	4,875,717
Deposits and other receivables	6,067,494	3,581,747
	<b>13,121,203</b>	<b>8,457,464</b>

An analysis of deposits and other receivables is as follows:

	30 June 2014 RMB'000	31 December 2013 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
	<b>6,067,494</b>	<b>3,581,747</b>

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
CSRG Group	3,799	3,097
A joint venture	5,098	3,402
	<b>8,897</b>	<b>6,499</b>

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:

	<b>30 June 2014</b> <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Cash and bank balances	<b>19,136,521</b>	16,400,137
Less: Pledged time deposits	<b>(3,572,823)</b>	(1,495,037)
Cash and cash equivalents in the condensed consolidated statement of financial position	<b>15,563,698</b>	14,905,100
Less: Non-pledged time deposits with original maturity of three months or more when acquired	<b>(961,724)</b>	(896,396)
Cash and cash equivalents in the condensed consolidated statement of cash flows	<b>14,601,974</b>	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 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
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
	<b>39,310,551</b>	<b>31,798,126</b>

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

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
CSRG Group	41,737	55,702
Joint ventures	232,096	109,016
Associates	9,319	—
	<b>283,152</b>	<b>164,718</b>

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 RMB'000	31 December 2013 RMB'000
Within 6 months	10,175,888	13,574,959
6 months to 1 year	398,363	—
	<b>10,574,251</b>	<b>13,574,959</b>

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
CSRG Group	1,920	17,766
A joint venture	2,500	—
	<b>4,420</b>	<b>17,766</b>



## 17. OTHER PAYABLES AND ACCRUALS

	30 June 2014 RMB'000	31 December 2013 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
	<b>17,091,418</b>	<b>12,523,543</b>

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
CSRG Group	421,442	362,071
A Joint venture	180,201	167,917
	<b>601,643</b>	<b>529,988</b>

The above balances are unsecured, interest-free and repayable on demand.

## 18. BORROWINGS

	Effective interest rate per annum (%)	Maturity	31 December 2014 RMB'000	31 December 2013 RMB'000
<b>Current</b>				
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
			<u>17,604,702</u>	<u>7,606,292</u>
<b>Non-current</b>				
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
			<u>4,066,262</u>	<u>3,568,511</u>
			<u>21,670,964</u>	<u>11,174,803</u>



## 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 RMB'000	2013 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.

## 19. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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
	<u>29,678</u>
Satisfied by:	
Acquisition cost	<u>29,678</u>

## 20. BUSINESS COMBINATION (CONTINUED)

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	<u>23,007</u>
Cash consideration in the current period	(6,671)
Cash and bank balance acquired	<u>14,643</u>
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	<u>(350)</u>
	<u>(7,622)</u>

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 RMB'000	31 December 2013 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
	<u>2,440,842</u>	<u>2,477,027</u>
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
	<u>1,628,823</u>	<u>1,221,622</u>

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 RMB'000	31 December 2013 RMB'000
Contracted, but not provided for:		
— Property, plant and equipment	<u>36,000</u>	<u>18,000</u>

### (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 RMB'000	2013 RMB'000
(a) Purchase of materials and components from:		
— CSRG Group	51,662	76,075
— Joint ventures	747,845	147,946
— Associates	19,412	—
	<b>818,919</b>	<b>224,021</b>
(b) Sale of goods to:		
— CSRG Group	40,468	54,781
— Joint ventures	566,802	504,335
— An associate	104,121	12,721
	<b>711,391</b>	<b>571,837</b>
(c) Provision of service to:		
— CSRG Group	3,678	—
— An associate	220	8,240
	<b>3,898</b>	<b>8,240</b>
(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	—



## 22. RELATED PARTY TRANSACTIONS (CONTINUED)

(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 RMB'000	31 December 2013 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 RMB'000	2013 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).

## 22. RELATED PARTY TRANSACTIONS (CONTINUED)

(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 RMB'000	31 December 2013 RMB'000
Sale of goods to:		
— CSGR Group	3,889	—
— Joint ventures	758,631	201,452
	<b>762,520</b>	<b>201,452</b>
Purchase of materials and components from:		
— CSGR Group	43,104	1,809
— Joint ventures	628,719	734,959
	<b>671,823</b>	<b>736,768</b>

(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).

## 23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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
	<b>2,391,666</b>	<b>1,445,707</b>		

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.

# Definitions



“Articles of Association”	the articles of association of the Company
“BST”	Bombardier Sifang (Qingdao) Transportation Ltd. (青島四方龐巴迪鐵路運輸設備有限公司)
“Company” or “CSR”	CSR Corporation Limited (中國南車股份有限公司)
“CSR Capital Company”	CSR Capital Company (中國南車集團投資管理公司)
“CSR Chengdu”	CSR Chengdu Locomotive & Rolling Stock Co., Ltd. (南車成都機車車輛有限公司)
“CSR Luoyang”	CSR Luoyang Locomotive Co., Ltd. (南車洛陽機車有限公司)
“CSR Puzhen”	CSR Nanjing Puzhen Rolling Stock Co., Ltd. (南車南京浦鎮車輛有限公司)
“CSR Sifang”	CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd. (南車青島四方機車車輛股份有限公司)
“CSR Sifang Ltd.”	CSR Sifang Rolling Stock Co., Ltd. (南車四方車輛有限公司)
“CSR Yangtze”	CSR Yangtze Rolling Stock Co., Ltd. (南車長江車輛有限公司)
“CSR ZELRI”	CSR Zhuzhou Electric Locomotive Research Institute Co.,Ltd. (南車株洲電力機車研究所有限公司)
“CSR Zhuzhou”	CSR Zhuzhou Electric Locomotive Co., Ltd. (南車株洲電力機車有限公司)
“CSRC”	China Securities Regulatory Commission
“CSRG”	CSR Group (中國南車集團公司)
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“South Huiton”	South Huiton Co., Ltd. (南方匯通股份有限公司)
“SSE”	The Shanghai Stock Exchange
“Times New Material”	Zhuzhou Times New Material technology Co., Ltd. (株洲時代新材料科技股份有限公司)