



株洲南车时代电气股份有限公司
ZHUZHOU CSR TIMES ELECTRIC CO., LTD.

社會責任報告 2014

CORPORATE
SOCIAL
RESPONSIBILITY
REPORT



For better expression and reading, Zhuzhou CSR Times Electric Co., Ltd. is represented as “CSR Times Electric”, “the company” or “we” in this report.

The report is prepared with references of *Guideline on Sustainable Development Report (2006)* of the Global Reporting Initiative (GRI), *Guideline on Social Responsibilities of Industries* (GSRI-China) and “the Ten Principles” of the UN Global Compact, and based on the actual situation of CSR Times Electric.

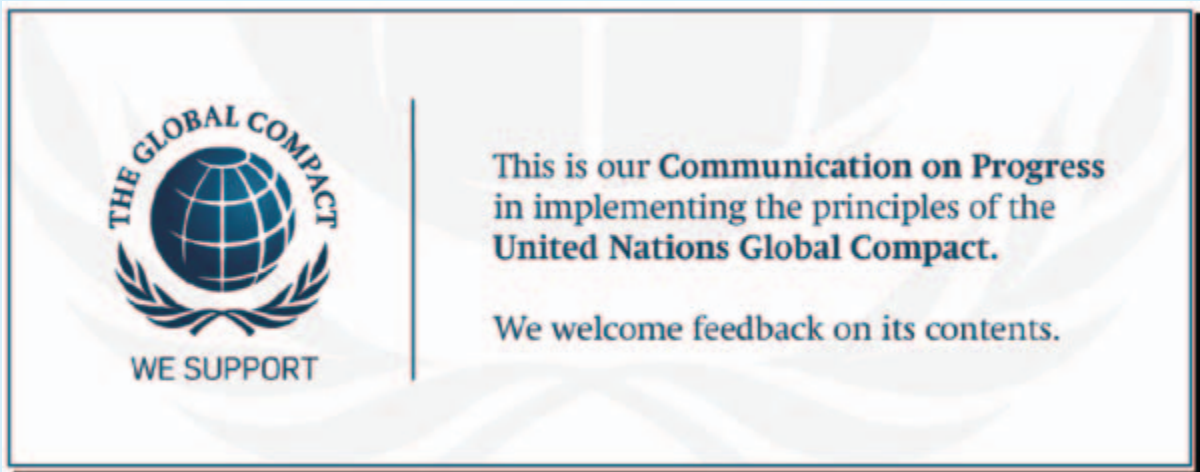
Unless otherwise specified, the report covers the time from January 1st, 2014 to December 31st, 2014. The currency used herein is RMB. The report covers the company HQ and share-holding subsidiaries but not including joint stock companies, using the same scope, boundary and calculation methods as the previous reports.

This report is a faithful reflection of the company's active fulfillment of its economic, environmental and social responsibilities and its full implementation of the sustainable development strategy. It is a report of full disclosure of the company's management performance related to stakeholder concerns and expectations. All the information and data therein are collected from the company's official documents, statistical reports and sustainable development practices of functional departments and subordinate units.

This report is published in Chinese and English. If there are differences between the two versions, the Chinese version shall prevail.

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Speech by the General Manager

Perform Social Responsibility and Pursue Sustainable Development

In recent years, China constantly promotes the economic reforms and the upgrade of industrial structure. The macro environment has undergone tremendous changes and the Central Government puts more emphasis over the issue of sustainability amidst the economic development. With the strategic plan of “One Belt One Road” and the business card effect of “high-speed railway diplomacy”, China has been vigorously further promoting urbanization and the establishment of ecological civilization, which has provided promising development opportunities for the high-end rail transit equipment industry.

2014 was a year of milestone during the development of CSR Times Electric. During the year, the Company sought innovations, embraced changes and actively explored for business expansion, resulting in a successful operation result of over RMB 10 billion. The overall operation of the Company was stable and well under control and the economy of scale was significantly enhanced with the sustained momentum of business growth.

Looking ahead, the Company sees various challenges and trials on way of sustaining the steady growth momentum, including the generally new positioning and development layout arising from the merger of CSR Corporation Limited and CNR Corporation Limited. In particular, since the Company expanded into a business scale with achieved result of over RMB 10 billion, the tasks of the management will become more sophisticated and the demand from the users will be higher and stricter. Accordingly, it will be far more difficult than ever for us to operate the business more prudently and effectively.

Cherishing our heritage, we create and share the development value with gratitude. The Company is and will be committed to sustainable development, actively fulfills the responsibilities as a public citizen. The Company strives to keep balance among industry development, environmental protection, social and industrial upgrade, and shares enterprise development outcome with the state, the society, shareholders, customers and staff, benefitting all stakeholders of the enterprise.

Under the Chinese macro political and economic background, the Company will firmly pursue its mission and responsibilities on development, and focus on four major core concepts, namely “integrity, trustworthy and due-diligence, quality driven, value creation and business achievement” so as to vigorously inherit and promote the quality traditions and shape our common values, standardize governance structure of the legal person and maintain harmonious investor relationship. As such, with focused efforts in business development and standardized systems, the Company ensures that the enterprise operates under the principles of integrity, prudence and trustworthy.



Speech by the General Manager

The Company thinks much of and shoulders social responsibilities in all aspects, including how to standardize enterprise governance, cooperate with customers and suppliers, and prevent enterprise operational risk. By setting up a complete energy management system, the Company strives to carry out the campaign of energy saving and emission reduction as a response to improvement of environment and climate. By designing and manufacturing energy-saving products, the Company can improve the efficiency of energy use and mitigate the adverse impact on the climate and environment. More, the Company will promote the upgrade of the industry technology and know-how and the development of local economy by way of technological innovation to provide the safest, most comfortable and convenient environmental transport means for society and people.

The Company fulfills its social responsibilities and regularly organizes community activities to interact with stakeholders and actively participates in and undertakes social charities. The Company endeavors to enhance the research and development of semiconductor and convertor technology through collaboration with renowned universities both home and abroad. In addition, the Company pays attention to the occupational health and safety of the staff and arrange regular physical check-up. All these initiatives demonstrate the value delivered by CSR Times Electric which pursues highly efficient development and the operation under the principles of integrity and trustworthy.

The sustainable development of the Company depends on the operation under the principles of integrity and trustworthy. CSR Times Electric always upholds the operating philosophy of integrity, trustworthy and due-diligence, and improves the Company's brand and market position by quality-driven products. Adhering to the concept of mutual benefits and sharing, the Company strives to explore new growth points in various areas within the industrial chain and creates and adds value in all domains of resources. I believe that with our relentless efforts, we will foster reasonable profits for our shareholders, provide quality products and services for customers, seek more benefits and happiness for our staff and deliver greater value for industrial upgrade and social development to enable sustainable operation to evolve as a new and normal practice.

Executive Director and General Manager of
Zhuzhou CSR Times Electric Co., Ltd.
Li Donglin

Part I

Company Profile and Governance

I. Company Profile

1. Introduction

Zhuzhou CSR Times Electric Co., Ltd. was established jointly by five units in 2005, including CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd., etc. On December 20, 2006, CSR Times Electric was listed in the H shares of Hong Kong Stock Exchange (stock code 03898.HK).

The company mainly engages in the research and development, manufacturing, sales and technical service of railway transportation equipment including electric drive system, network control, converters, train control system, signal system, electric control system of rail engineering machinery, overall units, electronic products for passenger cars, large power semiconductors, general inverters, sensors, printed boards, composite busbars, urban intelligent traffic system, etc. Its products are widely used in various industries and fields such as EMUs, electric locomotives, diesel locomotives, passenger cars, subway and light rail vehicles, large-scale railway maintenance machineries, electric power and metallurgy etc.

Through years of development, the Company has already equipped with strong self-independent research and development and technological innovation ability. It has not only mastered the traction electric drive and network control key core technology which is honored as the “heart” and “brain” of trains, but also built mature self-independent innovation and research and development platform based on traction electric drive system field. In addition, it has also built domestic first-class comprehensive detection test system, achieved organic combination with six specialized manufacturing bases of the Company, and become the Company’s most representative image “business card”.

The Company is in a leading position in the industry by virtue of its powerful overall strength. The Company is the designated enterprise for AC drive and control system localization of urban track traction equipment, and the domestic responsible unit for IEC/TC9 industrial standards.

Part I Company Profile and Governance

Innovate to develop and take advantages to progress. The Company always adheres to the development strategy of "concentric diversification", takes the development path from core technology to extend to related industries, continuously consolidates the leading position in rail transit industry, makes efforts to enhance the professional new image in electric drive and control system fields, and strives to become an international company with modern management concept, advanced corporate culture, strong core competitiveness, high performance, and great fulfillment of social responsibility.



Part I Company Profile and Governance

2. The Main Economic Performance of the Company in 2014

In 2014, the Company's main business performance indicators have been improved significantly as shown below:

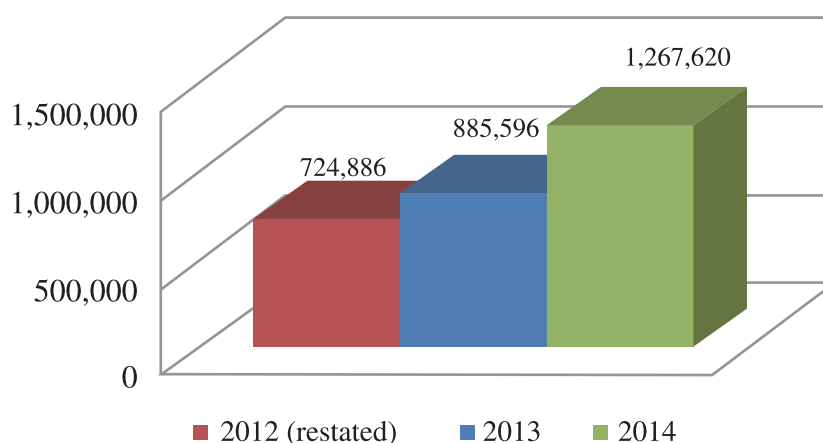
Main Business Performance Indicators

Unit: RMB ten thousand

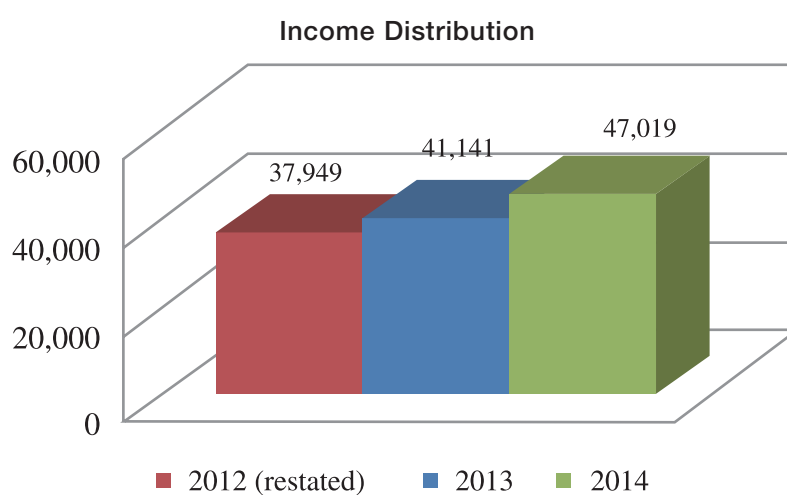
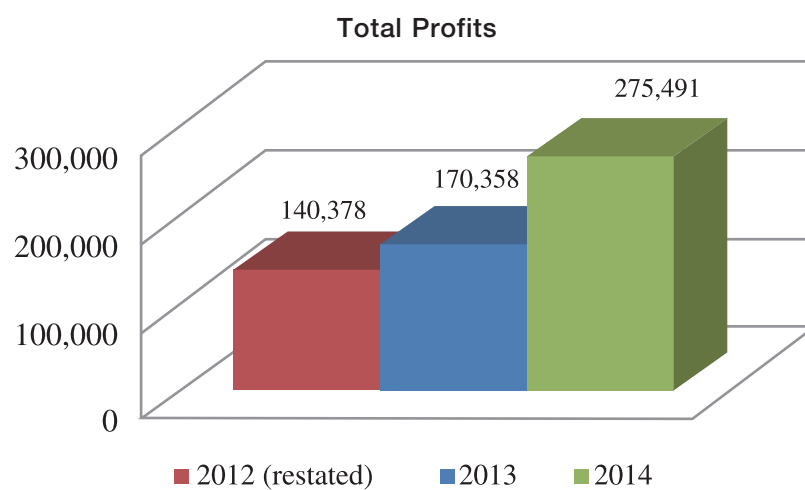
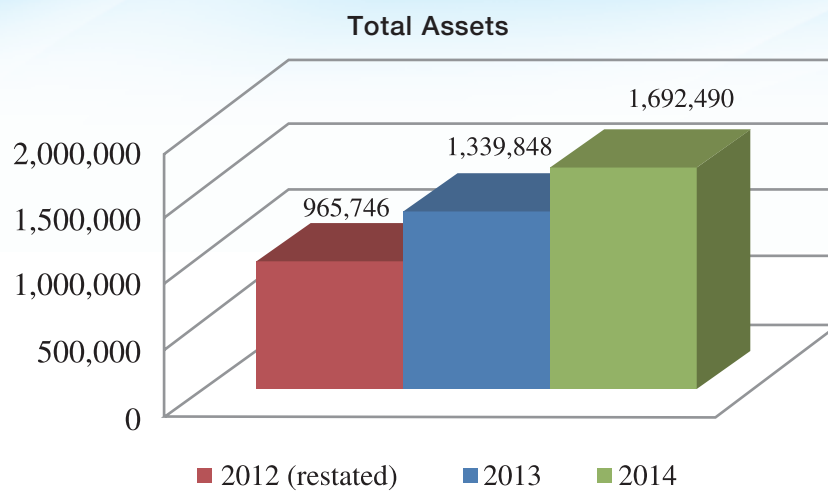
Indicators	Year		
	2012 (restated)	2013	2014
Operating income	724,886	885,596	1,267,620
Total assets	965,746	1,339,848	1,692,490
Total profits	140,378	170,358	275,491
Total tax payment	71,054	116,782	144,834
Operating costs	480,275	569,455	787,641
Market value of share capital	2,523,059	2,578,406	4,196,184
Revenue distribution	37,949	41,141	47,019

*Note: The income distribution in 2014 shall be subject to the approval of the general meeting of stockholders.

Operating Income

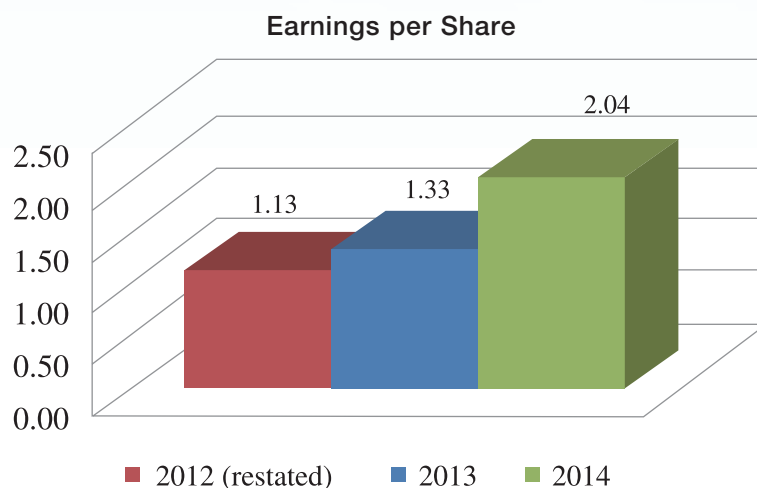


Part I Company Profile and Governance



Part I Company Profile and Governance

The earnings per share of the Company in the recent three years showed stable growth. From 2012 to 2014, it achieved earnings per share of RMB 1.13, RMB 1.33 and RMB 2.04, respectively.



—Sub-product business performance

In 2014, the Company achieved a business income of RMB 12.676 billion, including RMB 3.704 billion from traction converters, auxiliary power supply equipments and control systems for Locomotives, RMB 4.759 billion from traction converters, auxiliary power supply equipments and control systems for EMUs, and RMB 1.207 billion from traction converters, auxiliary power supply equipments and control systems for urban transit trains. The business incomes from major products in the recent three years are as follows:

Business Income from Major Products in the Previous Years (Unit: RMB million)

	2012 (restated)	2013	2014
Traction Converters, Auxiliary Power Supply Equipment and Control Systems for Locomotives	1,584	2,906	3,704
Traction Converters, Auxiliary Power Supply Equipment and Control Systems for EMUs	2,229	2,315	4,759
Traction Converters, Auxiliary Power Supply Equipment and Control Systems for Urban Transit Trains	928	956	1,207
Railway Maintenance Vehicles Related Products	976	1,103	1,149
Train Operation Safety Equipment	613	571	575
Power Semiconductor Modules	489	523	430
Other Products	430	482	852
Total Turnover	7,249	8,856	12,676

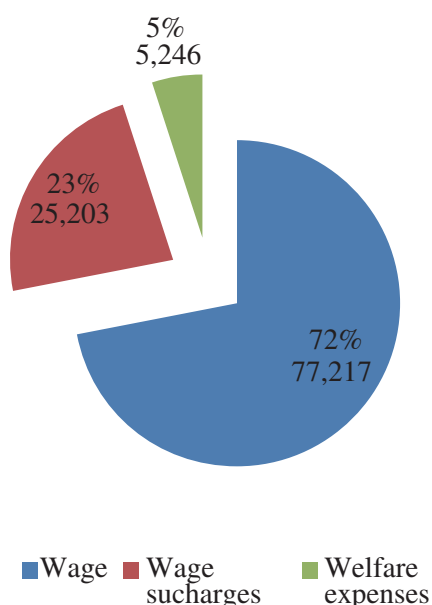
Part I Company Profile and Governance

—Significant financial support from the government

During 2012 to 2014, the Company has assumed many major scientific and technological projects of various countries, the Ministry of Railways and Hunan Province. It accumulatively obtained funds of RMB 25.65 million allocated by government scientific and technological projects in 2012; it accumulatively obtained funds of RMB 16.53 million allocated by government scientific and technological projects in 2013; it accumulatively obtained funds of RMB 82.29 million allocated by government scientific and technological projects in 2014.

—Employees' total remuneration and classification

In 2014, the total remuneration of employees of the Company was RMB 1,076.66 million, including wages of RMB 772.17 million, wage surcharges of RMB 252.03 million and welfare expenses of RMB 52.46 million.



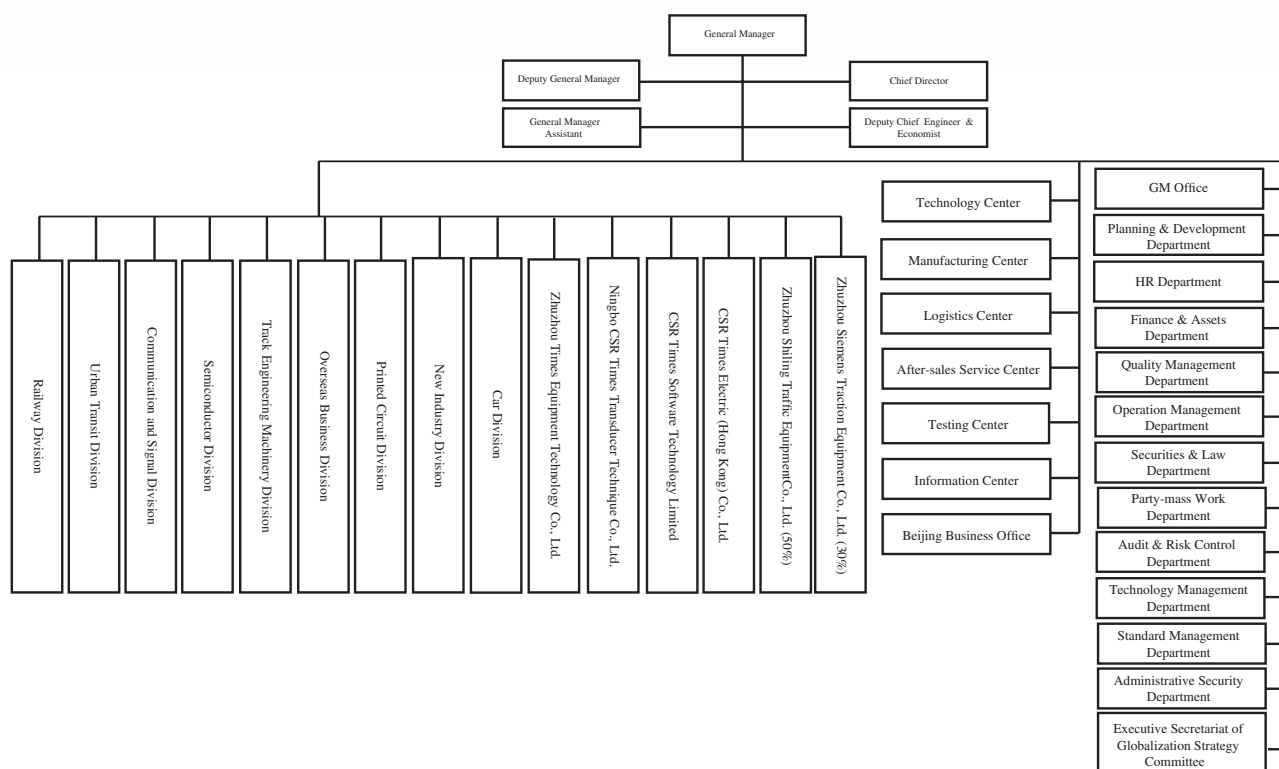
Part I Company Profile and Governance

II. Company Governance

1. Corporate Governance Mechanism

1.1 Corporate Organizational Structure

Organizational chart of Zhuzhou CSR Times Electric Co., Ltd.



Part I Company Profile and Governance

1.2 Company's Governance System

• Board of Directors

By the date of this report, the board of directors of the Company is comprised of 9 directors, each with different industry backgrounds and expertise. The board fully represents the interests of shareholders and is accountable to shareholders' meeting. It formulates the Company strategy and monitors the implementation of management and financial status within the terms of reference defined in the Article of Association and in accordance with the procedures defined by the Board Rules of Procedure for long-term returns as its critical mission. Five special committees, i.e. strategy, audit, risk control, nomination and remuneration committee are set under the Board of directors.

The 4 independent directors of the company account for more than one-third of the directors. They have carried out works on improving corporate governance and making major decisions, proposed fair and objective advices on major issues of the company and related transactions, facilitated a scientific decision-making process of the board of directors and effectively protected the interests of the Company and minority shareholders.

The Company held 11 board meetings in 2014.

• Board of Supervisors

By the date of this report, the board of supervisors is composed of 4 supervisors including one independent supervisor, one shareholder representative supervisor and two staff representative supervisors. In particular, staff representative supervisors are nominated by the Workers Congress and elected by the general meeting of shareholders. The board of supervisors exercises independent supervision rights according to the law to protect the legal rights and interests of shareholders, the Company and employees.

The Company held 2 board of supervisors meetings in 2014.

• The Management

The senior management of the Company are responsible for implementing strategic decisions of the board of directors and management of daily operations of the Company. Daily supervision and annual assessment of the management are carried out by the board of directors. The offices of the Board Chairman and General Manager of the company are held by different members, who are assigned to clearly defined responsibilities to ensure the independence of decision-making of the board of directors and daily operational activities of the management. The Company divides its strategic objectives into annual goals of subordinate units, establishes the evaluation system for senior management, subsidiaries, business units, the center and managers of functional units based on objectives and responsibilities, and forms a performance-oriented incentive and restraint mechanism. Indicators and ways are identified for the evaluation which is based on annual objective management responsibility commitment, and the annual pay for performance of the managers is directly linked with evaluation results.

Part I Company Profile and Governance

- *Information Disclosure Policy*

Strictly abided by the relevant national laws and regulations, and the requirements of the Securities Regulatory Commission and Hong Kong Stock Exchange, the Company releases regular reports and discloses relevant information in a timely, accurate and complete manner to ensure that investors and stakeholders can keep abreast of the Company's operation and management status. Besides, the Company has also established dedicated departments, posts and special mailbox to enhance communication with investors. The Company initiated or received more than 19 visits of investors in 2014. Information disclosure strictly follows confidentiality regulation and there was no significant leakage ahead of schedule and misstatement of information in 2014.

2. Risk Management and Internal Control

To guarantee the smooth process of the Company's production, operation, and business activities, to ensure the realization of the Company's strategy, operational objectives and shareholders' vision, and to satisfy the requirements of regulatory institutions, the Company persists in continuously improving corporate governance structure and establishing sound risk internal control system. According to the requirements of laws and regulations, such as *Company Law*, *Securities Law*, *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong*, etc., the Company has established a risk and internal control system with Articles of Association as the general rules, and Rules of Procedure of Board of Directors and Board of Supervisors and working rules of professional committees as the main framework; established an internal control system consisting of systems at three levels, i.e. company governance system, fundamental management system and classified business management; taken the overall strategy of the Company as the guideline to implemented risk management in five aspects – risk evaluation, risk alarm, risk response, risk management and supervision, and assessment and appraisal; and formed an all-around risk management system through the comprehensive risk management on the effective implementation of each of the key section.

Part I Company Profile and Governance

2.1 Risk Management and Internal Control Organizational System

The Board of Directors of the Company is responsible for the establishment, improvement and effective implementation of internal control system, and clarifies respective authority of committees, senior management, departments and internal control system of each unit of the Company. The Board of Directors sets a Risk Control Committee responsible for reviewing the Company's risk strategy, risk management and internal control, working report on risk control, risk control procedure, mechanism for fraud prevention, regular assessment of risk management policy, supervision of the implementation of the risk management system, supervision of the implementation of various rules and regulations and material operational decisions as well as assessment of significant matters of the Company. The Board of Supervisors supervises the Board of Directors with regard to the establishment of internal control system and implementation of internal control. The General Manager is responsible for organizing and leading the design, operation and assessment and evaluation of the Company's internal control system.

The Company establishes a perfect risk management organizational system on the principle of level-based management, classified management and centralized management of risk. The risk control committee sets up 5 specialized risk management groups, namely strategic risk, market and operational risk, financial risk, legal risk and technical risk, as well as risk business working group. By defining the terms of reference and duties among risk control committee, specialized risk management groups and risk business working group, the Company has undertaken risk management responsibilities to ensure the continuous process of the Company's comprehensive risk management.

Part I Company Profile and Governance

2.2 Risk Management System

The Company has prepared the Internal Control System Compilation covering operation, management and all business activities, formulated and revised Internal Control Manual, Internal Control Evaluation Manual, published and enforced *All-around Risk Management Measures*, *Risk Alarm Management Measures* and *All-around Risk Management Assessment Rules* – all constitute a perfect risk management and internal control system. In 2014, under the new normal comprehensive risk management, the Company continued promoting risk management and internal control construction in accordance with the “Basic Standard for Enterprise Internal Control” and supporting implementation guidelines issued by five ministries and commissions, fostering an internal work mechanism that the relevant departments have clear division of responsibilities, cooperate with, interact on and supervise one another to ensure the realization of internal control objectives. The Board of Directors comprehensively assessed the effectiveness of all departments’ and business units’ internal control design and implementation and formed “2014 internal control self-assessment report”. CSR engaged Ernst & Young to complete internal control audit, which prevailed that the Company had no significant defects in the design and implementation of internal control. Addressing the two problems raised by Ernst & Young, the Company actively formulated remedial plans and measures, to make remedies for the identified problems in strict compliance with the timeline which effectively prevented the operational risk.

The Company always pursues the risk control as its core concept and the improvement in corporate governance structure as its goal. Under the sound leadership of the Board and senior management, the Company cultivated risk management culture, focused on the specific management and control of high-risk projects, deepened the new model of intensified risk management, and continued to enhance risk management value. As the Company has been listed as one of the over-ten-billion enterprises, comprehensive risk management has gradually become the internal driver of the Company’s sustainable development and its international competitiveness. Since its establishment, the Company has never encountered any risk that caused adverse effect on the country or society nor caused loss to the Company.

2.3 Supervision and Improvement

The Company carries out daily supervision, special supervision and regular supervision over risk work plan, risk evaluation, risk pre-warning, risk countermeasure implementation, risk information bank management, risk work report and significant risk report, and urges correction of risk events and defects as soon as they are found, and a long-acting supervision mechanism is thus formed. The Company annually inspects the implementation of countermeasures against risk events, and carries out supervision and assessment on the implementation of countermeasures against risk events occurring last year as disclosed in the risk information bank and the status-quo of such events, and therefore, a closed-loop management of risk is realized.

Part I Company Profile and Governance

3. Combat Corruption and Uphold Integrity

Following the discipline inspection and supervision work guidelines determined at the beginning of the year, together with pursuing the CPC work style and a clean administration as well as requirement of risk prevention and control, the Company carefully and pragmatically carried out work, effectively prevented risks, maintained the sound situation in the fast development of the Company, and delivered good results from cost reduction, efficiency enhancement, enterprise management standardization, reinforcement of construction of working style of party members and cadres and integrity culture publicity.

Work carried out in 2014 mainly includes the following:

3.1 Understand the Situation Clearly, Reach the Consensus and Make Steady Headway of the Establishment of CPC Work Style and a Clean Administration, and the Risk Prevention and Control

In 2014, the Company held two important meetings concerning the establishment of CPC work style and a clean administration, and the risk prevention and control. One is the CSR Times Electric 2014 cadres' conference and discipline inspection and supervision working meeting, during which the annual work vision, work emphasis, responsibilities, objectives, methods and measures were determined, and a solid foundation was laid to effectively carry out the establishment of CPC work style and a clean administration, and the risk prevention and control of the Company. The other is the annual discipline inspection and supervision work meeting. Careful communication and discussions were carried out concerning the correlation between anti-corruption and enterprises, promoting the establishment of working style of cadres, the prevention of marketing risk, and the establishment of risk prevention and control mechanism for overseas and offshore subsidiaries. With the well-organized efforts before meetings and the preparation of the participants, the discussions and communication were relatively more in-depth and practical and achieved better result.

Part I Company Profile and Governance

3.2 Continuously Push Forward the Construction of Punishment and Prevention System

Unremittingly Carry Out Anti-corruption Education in a Pragmatic Manner. Continuously communicate its anti-corruption policy with newly engaged and promoted cadres before they took office; in 2014, two batches of families of the professional managers, newly engaged cadres and staff holding key positions were arranged to receive warning education in 1st Detention Center of Zhuzhou and 2nd Detention Center of Zhuzhou; two warning education activities in form of typical cases analysis were launched to help audiences deeply understand the serious consequences of corruption through typical cases. A total of approximately 300 learning reports were submitted upon the two occasions. In order to keep attendees to stay alert all the time, the Director of Crime Prevention Office of Zhuzhou City's Procuratorate was invited to host the special warning education for marketing and trade personnels on advocating the mission of anti-corruption and integrity.

Improve the Strict System Process to Intensify the Foundation. Discipline inspection and supervision department set forth four practical fundamental elements in improving and optimizing the system process: whether any key link was omitted; whether corresponding control measure was effective; whether responsibility division was well-defined and reasonable; whether it was clear and feasible. The four elements are regarded as the standard for system formulation and evaluation, and the effective control and feasibility of lots of important system processes were enhanced.

Jointly Carry Out Close Supervision to Eliminate Dead Ends. Discipline inspection and supervision department, audit department and financial department and other departments jointly insisted on regular supervision and special supervision, performed annual regular supervision over 20 business units in Zhuzhou, and effectively supervised and pushed forward the annual work progress of each unit under the supervision and understanding of the work status, the existing problems and renewal of mindsets.

Investigate into Cases to Curb the Tendency of Violation and Make Punishment as Warning. In 2014, under the centralized arrangement and deployment of the Party sub-committee, the Company continuously put efforts to coordinate with the Public Security Bureau of Shifeng in connection with the investigation and evidence collection against the production and sales of shoddy fake and shoddy products; timely investigated and verified the petitions to effectively ensure petitions are timely handled.

Part I Company Profile and Governance

3.3 Solid Progress of Special Performance Supervision

In 2014, following the requirement of the bureau authorities and in respect of electrical management, the Company set forth 3 special performance supervision projects, namely the special performance supervision on sole supplier, non-productive material procurement management, and tender invitation and evaluation process standardization. By the elimination of sole supplier, mitigation of supply and business risk of material and service procurement, the procurement cost was significantly reduced and the procurement period was obviously shortened. In 2014, CSR Times Electric eliminated 53 sole suppliers in total involving 194 types of materials, and the reduction of principal amount therefrom amounted to RMB 8.44 million. With the internal special performance supervision on non-productive material procurement management in progress, the Company pushed forward 25 effective enforcements of the relevant rules and regulations, revised 15 relevant systems, set up 6 new relevant systems, optimized 3 business procedures and refined 4 management approaches. Through the review of tender invitation and evaluation process standardization, the Company issued the formal operating procedures for tender invitation and evaluation, and compiled the *Handbook of Guidelines on Operating Procedure of Tender Invitation and Evaluation*. In light of the implementation of such works, each unit enhanced its organization standard towards tendering. According only to the incomplete statistics in 2014, the reduction of tendering costs could be amounted to RMB 70.40 million. Through the above three special performance supervisions, the corporate management level was effectively enhanced whereas the effectiveness of cost efficiency was significant.

3.4 Successfully Fulfill the Assignment Given by Superior Departments

In 2014, the percentage of the shift of key positions of the Company reached 39.6%. The target standard in shift of key positions was successfully achieved.

In general, in 2014, the establishment of CPC work style and a clean administration and the risk prevention and control delivered relatively good results, and the sound situation in development of the Company was maintained.

Part I Company Profile and Governance

III. Important Honors of the Company

List of Honors 2014

No.	Honors	Category
1	The second prize of "National Science and Technology Progress Award": a series of researches and applications of high-power AC driving electric locomotive based on the proprietary technology platform	Academic Management
2	The first prize of result publication of quality control group activity 2014 in national railway industry: the activity outcome of the Company's "Nirvana" QC group "the research and development of automated logic control test kits"	
3	Included in the first resource-economical and environment-friendly product catalogue of Zhuzhou: recycled-energy feedback implement for the power supply system of urban rail traction	
4	Strategically innovative product of National Key and New Product Plan 2014: traction system of subway trains at 120 kilometers per hour	
5	The special prize of China Railway Society: the project of "160km/h HXD1D AC driving six-axis rapid electric locomotive for passenger transport"	
6	The first prize of China Railway Society: the project of key technology and application for altitude adaptability of AC driving electric locomotive	
7	The second prize of China Railway Society (3 projects):the project of development of CRH380A-001 high-speed comprehensive test train, the project of development of new traction platform eight-axis high-power AC driving freight electric locomotive, the research and application project of comprehensive monitoring system for safe operation of trains based on TAX07 device	
8	The second prize of 2014 Chinese machinery industry science and technology award: key technology research project of permanent magnet synchronous power transmission system	
9	The first prize of Science and Technology Progress Award of Chinese Institute of Electronics 2014: the project of development and application of IGBT assemblage with high pressure and high power density	
10	The first prize of Science and Technology Progress Award of Zhuzhou City 2014 (2 projects): the project of research and development and application of 3300V-6500V IGBT, the project of research and development of automated power transmission system of high-speed multiple units	
11	The second prize of Science and Technology Progress Award of Zhuzhou City 2014: the project of network control system of WD-320 track dynamic stabilizer	
12	The special prize of 2014 CSR Science and Technology Award: the promotion project of research and development and application of high pressure IGBT assemblage for traction transmission system, the project of research and development of automated power transmission system of high-speed multiple units	

Part I Company Profile and Governance

List of Honors 2014

No.	Honors	Category
13	The first prize of 2014 CSR Science and Technology Award: the project of research and development of power transmission system of 4400HP diesel locomotive	
14	The second prize of 2014 CSR Science and Technology Award: the project of research and application of integration technology of main and auxiliary power conversion system of high-speed locomotive unit	
15	The patent of "Synchronous modulation method and system based on Space Vector": authorized by Japan	
16	The first prize of construction of new industrialization in Hunan province: Zhuzhou CSR Times Electric Co., Ltd.	Comprehensive Management
17	First high and new technology enterprises in Hunan province in 2014: Zhuzhou CSR Times Electric Co., Ltd.	
18	Standardization advanced unit in Hunan province: National Technical Committee on Traction Electrical Equipment and System of Standardization Administration of China	
19	National top 100 enterprises in electronic information publication, CSR Times Electric ranked 47	
20	May 4 Red Banner Youth League Branch of Central Enterprises: CSR Times Electric Technology Center League branch	
21	16 th Chinese Patent Award of Excellence in 2014 (electric field): "the permanent magnet synchronous traction system of mainline high-speed vehicles"(ZL201010184481.8)	
22	Zhuzhou Civilized Youth Team: Transmission Control Department of Electric Technology Center	
23	May 4 Red Banner Youth League Branch of CSR: CSR Times Electric Manufacturing Center	
24	9 th Presentation in National Industrial Engineering Application Competition of Tsinghua IE: one second prize, two third prizes	
25	"Enterprise Technology Center of Shaanxi Province": Baoji CSR Times Electric	
26	2013 Outstanding service provider of Wuxi Railway: Zhuzhou CSR Times Electric Co., Ltd.	
27	Advanced Grass-roots Unit for Equipment in Zhuzhou City: Equipment Department of the Company	
28	2014 "Locomotive Medal" of All-China Federation of Railway Labour Unions: Rong Zhilin	Individual
29	2014 Outstanding Entrepreneur in National Electronic Information Industry: Liu Ke'an	
30	2014 Top Ten China Standardizers (Top Ten Practitioners): Zhang Lizhi	
31	2014 Hunan Province Governor Quality Award: Liu Ke'an	
32	9 th Province Youth Award of Science and Technology Award for Outstanding Young Scientist of Hunan Province in 2014: Wang Wei'an	
33	2014 Most Fabulous Baoji Person "Top Ten Special Award": Zhang Xiangyang	
34	2014 Leading Innovative Talent of Zhuzhou City: Liu Ke'an	
35	3 rd "Top Ten Outstanding Inventors of Hunan Province" in 2014: Zhang Ming	
36	Fourth place of 1st "Vocational TV Show – Got Talents" of Zhuzhou City: Ouyang Xuping	

Part I Company Profile and Governance

IV. Corporate Value and Stakeholders

1. Corporate Values

Spirit of enterprise: Integrity, Dedication, Innovation and Excellence

Missions: To benefit the country (shareholder), society, customers and employees with technology.

Vision: To become an international company with modern management concepts, advanced corporate culture, strong core competitiveness and one that can fulfill social responsibility with excellent performance.

Values: Never forget where our achievements come from. The interests of shareholders are supreme; user first, the customer's needs are always our motive power; people-oriented, each employee will share the success with the Company.

Strategic Guiding Ideology in 2014:

In line with the strategy of "highly-efficient organization" and "globalized operation", the Company adheres to the two co-development core concepts of "technology" and "market", being committed to efficiency and effectiveness, guarantee healthy, sustainable and highly-efficient development of the Company.

Part I Company Profile and Governance

2. Concerns of Stakeholders

Around the core goal of sustainable development, the Company pays close attention to various stakeholders, continuously strengthens exchanges and communication with them, fully understands and collects their appeal points and makes responses positively with the actual situation of the Company. The Company has always strived to cooperate with stakeholders to create and share value and promote sound and rapid development of the Company.

Stakeholders	Ways of Communication	Requirements & Expectations	Main Indicators
Government	Laws and regulations, release of policies, meetings, theme reports, report forms and visits	Complying with laws and regulations, ensuring tax revenue, providing job opportunities, and developing rail transit equipment industry	Total tax income and new job opportunities created
Customer	Collecting comments, daily liaison and visits by sales representatives	Providing products and service with good quality and competitiveness, and improving them continuously	Customer satisfaction rate and products qualification rate
Investors	Regular reports, unscheduled announcements, shareholders meetings and memorandums	Continuously enhancing company value, preventing risks and ensuring sustainable development	Profits, ROE, gearing ratio, owner's equity
Employees	Proposal of congress of workers and staff, employee mark-based reward system, executives meeting day, consultation, democratic assessment, employee exchange forum and etc.	Providing employees with safe, fair and comfortable working environment, more benefits and growth opportunities	Employee satisfaction, loyalty, turnover rate and investment on employee training
Suppliers	Suppliers meeting, negotiations on contracts and agreements, regular visits, tendering meetings and collecting comments	Long-term cooperation for reasonable profits	Project bidding, claim on quality defect from suppliers and etc.
Community	Communications by means of suggestion box and questionnaire surveys, holiday parties, active participation in and support for community activities	Well-organized manufacturing to promote a prosperous and peaceful community with safe and healthy living environment	Investment on community constructions, times of participating in community activities and amount of donations

V. Opportunities and Challenges

In 2014, having been guided by the national macro policies and driven by the business card effect of Chinese leaders' "high-speed railway diplomacy", the rail transit industry has seen a new round of rapid growth momentum. The business income of the Company has surpassed RMB 10 billion and the leading position of the industry has been further consolidated, and the image and influence of independent brands are being enhanced steadily. With the strategic initiative of "One Belt One Road" proposed by China, the implementation of the strategy of "going global at a faster pace" regarding the high speed railway industry in China, and the stepping up into medium-and high-speed economic development of China, the market will pay more attention to the demand for higher quality as the new and normal practices. On the other hand, due to changes in external environment such as the relatively high downward pressure on the economy and the further opening up of domestic rail transit market, the Company will face new challenges amidst opportunities.

• Opportunities

With the strategic initiative of "One Belt One Road" proposed by the Chinese leaders, the promotion of national policies on urbanization and the decentralization of the approval authority on the investments in urban rail transit market, huge market potential has been provided for the rail transit industry. Meanwhile, the gradual opening up to railway investment and national policy support of independent railway products have further foster growth momentum for the domestic railway industry. Facing the vibrant development of global rail transit industry, the State Council proposed the aim "of promoting multinational and world leading major and integrated industry conglomerates with rail transit equipment as the core product", actively pushed forward the merger of CSR Corporation Limited and CNR Corporation Limited and accordingly the integration of various dimensions such as technology, management, resources and markets in order to lay the foundation for "well poising for going global" of China's railways. Against this backdrop of external environment, it represented a good opportunity for CSR Times Electric, which advocated independent innovations to consolidate its domestic market position and expand the overseas market share.

• Challenges

The slowdown of China's economic growth and the increasingly saturated growth of domestic railway construction will have an impact on the continuing and steady business growth of the Company. Meanwhile, with further opening up of the domestic rail transit market, more entries of market peers will render more fierce competition within the industry. The sophisticated overseas market conditions and the overseas requests for localization services will have increasingly higher demand on the Company's overseas operating ability. All these changes will impose daunting challenges on the future development of the Company.

Part I Company Profile and Governance

• Our Solutions

Facing the sophisticated external environment, the Company will actively seize the opportunities and respond to challenges, firmly establish the strategy of “highly efficient organization and globalized operation” and promote the diversified development of the industry to consolidate our own strength and enhance our core competitiveness. Meanwhile, leveraging the advantage in overall strength, the Company will actively participate in the competition during globalization and expand its business into the relevant sectors.

— To continue to deepen organizational reform, optimize management models, implement differentiated management, strengthen business synergy and reasonably allocate resources, explore our potential, increase the Company’s core competitiveness to consolidate the Company’s market position and increase market share.

— To actively grasp the opportunities of overseas market development, develop and improve the Company’s globalized operation, research and development and merchandising ability through various approaches; leveraging the overall “going global” strategy of the CSR, the Company will rapidly grasp opportunities and expand overseas business scale to enhance the level of internationalized operation and globalization.

— To persist the centralized and diversified development strategy by closely adhering to the two core concepts of “technology” and “market”, consolidate and upgrade the existing industry sectors, actively and prudently launch industrial expansion, vigorously develop new industries and participate in the drive system industry of electric passenger vehicles and robot industry to promote diversified businesses and develop the new growth points of the industry.

Part II

Technological Innovation and Product Liability

I. Technological Innovation

The Company's research and development management adheres to taking new scientific innovation work as the tenet and developing activities on management improvement such as excellent management and delicacy management. The Company not only strengthens scientific research management, qualification and results management, intensity, breadth and depth of external scientific reporting management, expertise building and standardized management, but also further raises cost decreasing and benefit increasing to conduct revision and optimization of related management flow and system and enhances work efficiency and quality to fully guarantee orderly development of daily work and steady advancement of key work.

1. Introduction to Technical Research and Development

1.1 R & D Management Mechanism

The Company attaches great importance to the establishment and improvement of R&D management mechanism. The Company sets up a technical committee consisting of the deputy general manager in charge of technology, deputy general engineer, chief expert, and persons in charge of technology in all business units (departments), which provides decision-making support for the R&D and improves the Company's technological management organizational structure (see the following chart – R&D Management Institution). By using the world advanced CMMI and other management methods, the Company establishes *General Execution Specification for Project Development and Product Development Procedures*, improves management systems like *Completeness of Product Drawing and Design Document*, enhances the capacity of Product Lifecycle Management and solidifies it to PLM platform, and realizes the assets standardized management of organizational process. The Company comprehensively implements R&D project management and budget management, establishes perfect project management and budget management rules and regulations – *Management Measures of R&D Project Proposal*, *R&D Project Management Measures*, *Measures for Assessment and Incentive of Significant R&D Projects* and *Management Measures of R&D Project Budget*. Strict control covers the full course from proposal, execution, to completion. The quality and efficiency of projects are greatly enhanced.

Part II Technological Innovation and Product Liability

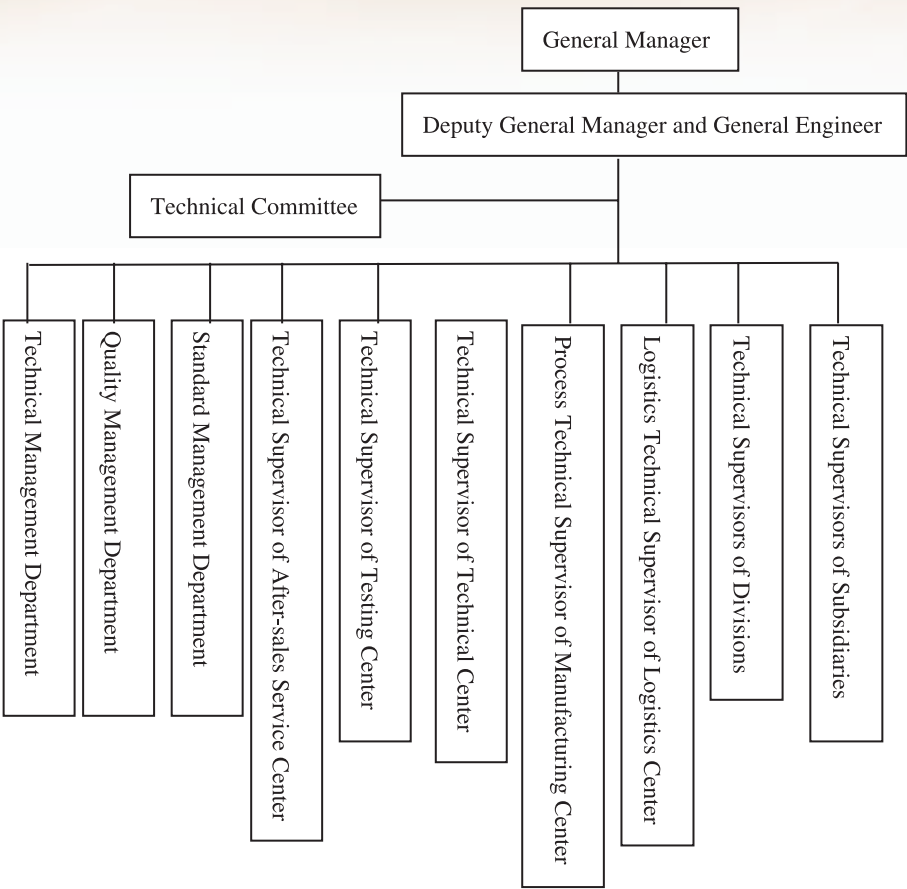


Figure: R & D Management Institution

1.2 Input for Scientific Research

Scientific innovation input is the fundamental guarantee for intensifying the Company's independent innovation. To achieve the Company's sustainable development and adhere to the two main theme concepts of "innovation" and "benefit", the Company exploits scientific research to push the operation results to a new level. The Company continuously intensifies scientific innovation input, and the annual scientific innovation input accounts for approximately 7.84% of the sales amount. In 2014, the Company approved 460 proposals of scientific innovation projects.

Part II Technological Innovation and Product Liability

1.3 R & D Team and Advantages of Hardware Resources

The Company's scientific research and technological personnel accounts for over 45% of the total number of employees. On the basis of highly educated talents, a professional research and development team with high qualities and efficiency is trained through a complete talent training system.

The Company also has powerful capabilities in scientific and development research, testing and inspection and system production, owning many specialized production bases with production workshop areas of 320,000 square meters. As the largest superpower semiconductor production base in Asia, the Company's semiconductor third-tier base is capable of processing 100,000 silicon wafers of 6 inches annually with IGBT device packaging capability. Detection and testing system is constituted by over 20 laboratories, including vehicle-mounted electrical systems lab, electrical machinery lab, large-scale vibration test system lab, electrical equipment reliability and environmental engineering lab, passenger car electrical system lab, large-scale engineering machinery electrical system lab, networking product consistency lab, 3G information technology application lab etc., covering research test, type test and factory test in all fields. Meanwhile, the Company is also an attached unit of the Testing Station of Electric Traction Equipment under Railway Products QC Center.

2. Technological R&D Results

2.1 Significant Project Management

To ensure the sustainable development of its significant R&D projects, the Company insists on the rolling development mechanism of significant projects and continuously injects new blood to guarantee the continuous enhancement of R&D technical strength. At the beginning of 2014, after several expert reviews of Technical Committee, it was determined that 34 scientific research projects with substantial strategic significance or economic benefit would be added as significant projects, such as *R&D of China Standard EMU Electric System*, *R&D of Electric System for Thai electric locomotives Exported to Thailand by Qi Factory*, etc. The Company implemented assessment and incentive measures for significant scientific research projects, effectively pushed forward process control and objective management of significant projects, and strictly executed weekly reporting, monthly reporting and monthly regular meeting system to ensure the realization of annual objectives of 58 significant projects in research in 2014. Through strict process control, the general progress of projects was controlled; 19 projects were completed; the completion ratio was 100%.

Part II Technological Innovation and Product Liability

Cases of Implementation of Significant Projects:

2.1.1 R&D of Electric System of Double-flow Freight Electric Locomotives in South Africa

In 2014, the Company mainly completed the research and development, prototype production, testing, loading and South African on-site testing of products including traction converters, transmission control unit, network control system, IDU, statistical analysis software, WTD devices (including FFCCTV system) as technically required by the South Africa 20E electric locomotives. In South Africa, 21 South Africa 20E electric locomotives have been put into operation and delivered stable performance. The local production in South Africa has completed 27 units and the delivery remains underway. The premiere combination of double current and alternating current transmission system was realized in this project, which promoted the leading position of the Company in the core technique of traction power transmission system, expanded the scope of product model spectrum and enhanced the market competitiveness.



Part II Technological Innovation and Product Liability

2.1.2 R&D of Electric System of Electric Locomotives Exported to Thailand by Qi Factory

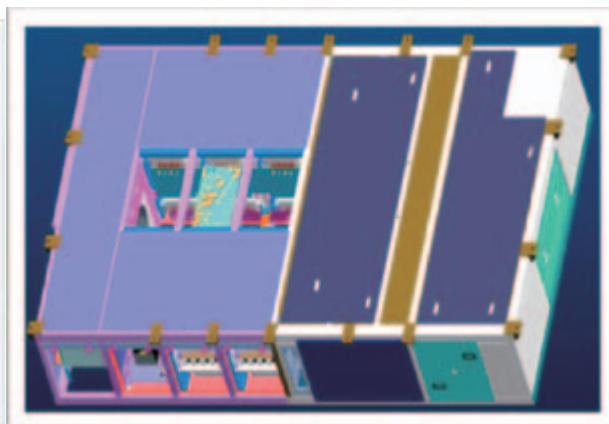
The Project has completed program/technical/construction design, prototype production, production of first 3 units/set car product and the testing of ground network of power transmission system. Also, the delivery, loading and the in-house vehicle-mounted adjustment test of the first 2 units of loading product have completed. As for the traction transmission technology of this project, the mainstream 3300V/1200A IGBT converting technique is adopted as the new application of well-established technology. The auxiliary system has installed with 5 frequency conversion systems and independent frequency conversion starters and 1200V/800A IGBT components are applied in the main auxiliary motor. The system has applied 74V low voltage battery to drive locomotives, AC/DC High-frequency isolation charging, main/auxiliary excitation magnetic regulator technique, etc. The project represents technical advantages for the Company to obtain subsequent potential orders of 50 locomotives from Thailand. It also successfully positions China's independent diesel locomotive traction technique for the international market in South East Asia.



Part II Technological Innovation and Product Liability

2.1.3 R&D of China's Standard EMU Electric System

In 2014, the Company principally completed the prototype production of components such as traction auxiliary converter, charger, external power box, unlimited transmission device, Shaft Temperature Detecting device and Bogie Instability Detecting System; the preparation of materials for the sampling machinery and the first batch of products; trial production of cooling system and module prototype and verification of research models, the trial production and improvement of customized fans and capacitors. Regarding the network, it has completed the configuration of the transmission content in train-level, confirmation on hardware specification, production and improvement of customized module prototype and the design of the 1:1 testing platform for the network. The general superior functions and capabilities of the system can satisfy the demand arising from the interconnection with north locomotives platform. It would become a major platform for the development of China's next generation of MUs and significantly secure the market share of the Company in locomotive sector in the future.



Part II Technological Innovation and Product Liability

2.1.4 Development and Application of New Technology of Urban Rail Transit Electric System

In 2014, the Company completed the design of the various characteristics of traction/brake systems based on the characteristics of permanent magnet motors and the corresponding simulation research; according to the results of characteristic simulation, the system characteristics applicable to Type B platform of 1500V and 3M3T were confirmed; the trial-production of component prototypes and all of the prototype production and type testing of permanent magnet traction were completed; the construction of 1:1 vehicle-mounted Ethernet ground testing platform was completed; the design and prototype production of 230kW permanent magnet motor were completed. The standardization of vehicle-mounted Ethernet across train transmission network can significantly reduce the cost of network purchase and maintenance. The research on the permanent magnet synchronous traction system, which is featured with the advantages of high efficiency and high power density, will help positioning the Company as one of the leading companies that adopt the world advanced traction technology.



Part II Technological Innovation and Product Liability

2.2 Reporting and Awards

With the leading position in the area of rail transit technology and benefits from the long term technological development of the Company, the Company reported 44 external technology projects in 2014. 30 external projects were approved, including 12 state-level, and provincial-level and ministerial-level projects, and the project fund of RMB 28.238 million was granted.



Part II Technological Innovation and Product Liability

2.3 Patents

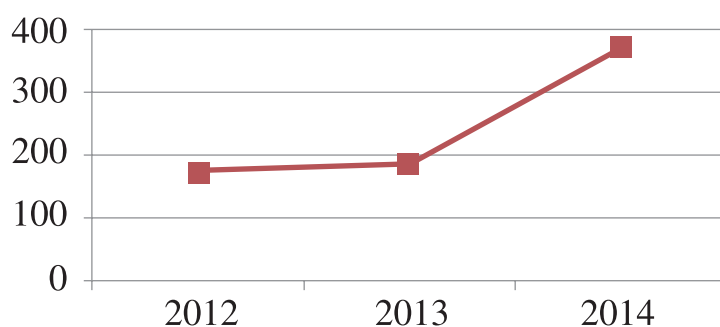
In 2014, the Company applied for 372 patents, including 212 invention patents. By the end of 2014, the Company has cumulatively applied for 1304 patents, including 60.7% invention patents, cumulatively owned 577 valid patents, including 39.7% invention patents and cumulatively obtained 146 copyright registrations for computer software.

In 2014, there was one patent of the Company awarded with the 16th China's Patent Excellence Award, 'A type of permanent magnet synchronous traction system for high speed artery vehicles'(ZL201010184481.8).

Patent Applications in Recent Three Years

Year of Application	Number of Application
2012	169
2013	183
2014	372
Total	724

The Number of Patent Applications



Part II Technological Innovation and Product Liability

3. Innovation Influence

In 2014, the Company, fully utilized the platform of IEC/TC9 domestic technical counterpart to actively participate in international standardization activities, and presided over establishment of 7 international standards: *Wireless Reconnection System Based on Distributed Power*, *Vehicle-mounted Video Surveillance System*, *Wireless Reconnection System for Trucks*, *Power Connector for Locomotive Vehicle*, *DC Lighting Arrester and Voltage Limiting Device for Locomotive Vehicle*, *Vehicle-mounted Based Database for Train Control System* and *Part 2-7 of Rail Transit Electronic Equipment – Train Communication Network (TCN): Wireless Train Backbone Network (WLTB)*, of which *Part 2-7 of Rail Transit Electronic Equipment- Train Communication Network (TCN): Wireless Train Backbone Network (WLTB)* was duly promulgated in April. Since the Company implemented the strategy of international standardization, the work of presiding international standardization has been under way on the right track with the focus changing from the dominance in non-critical technology area into critical technology area. Until now, China has been cumulatively responsible for 12 international standardization teams of IEC/TC9, of which 11 teams were taken in charge by the Company. 4 international standards have been presided over establishment and promulgated by China, which enabled China to rise to rank fifth as regards to the contributions to IEC/TC9, being second only to Germany, France, Italy and Japan.



Part II Technological Innovation and Product Liability

As the secretariat of National Technical Committee on Traction Electrical Equipment and System Standardization, the Company simultaneously commenced 16 national standard projects and totally completed 10 drafts for approval, 3 drafts for review of state standards, 2 drafts for recommendations and 1 task force draft in 2014, with “12th Five-year Plan” of the State Traction Electrical Equipment and System Technical Standardization Committee as the guideline and the traction electrical equipment and system technical standard system as the basis. As the responsible unit for rail industry standards and Traction Electrical Equipment Technology Standard, the Company simultaneously commenced 14 industry standard projects and totally completed 6 drafts for approval, 3 drafts for review of state standards and 5 drafts for recommendation. At the same time, the Company also emphasized on closely integrating the tasks of standardization with research and development. It undertook the project of *Research on Important Standards Concerning High-speed Train A/C Transmission and Electric Systems* under the Standardization Program of Special Scientific Research on Quality Control in Public Welfare Industry, one key scientific research project of State Railway Corporation: *Research on Standards Concerning Rolling Stock Equipment Vibration Tests* standards and *Traction Electrical Equipment and System Industry and Amendments of National Standard System* of CSR project, which supported the amendments of standardization of system in the form of research topics and accordingly expedited the progress of amendments of key standardized systems.



Part II Technological Innovation and Product Liability



II. Product Liability

1. Product Quality Management

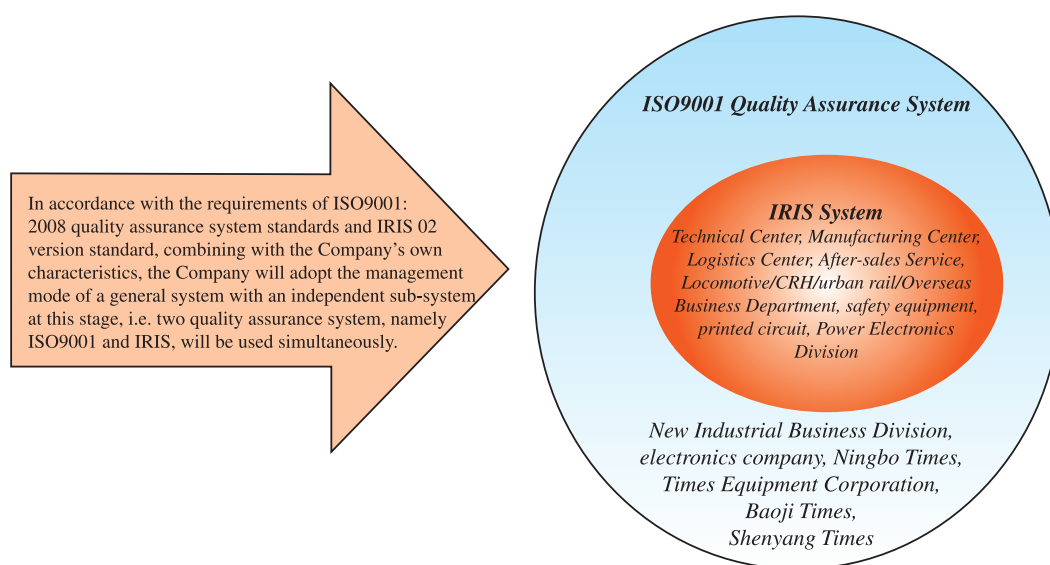
The Company has always take quality as its core value, for it is essential to the very existence of a corporation. Adhering to the policies of "optimizing platform for sharing of knowledge, improving the ability of technological innovation, focusing on quantitative analysis of processes, setting up life cycle management, improving scientific prevention, enhancing awareness of quality and safety, paying attention to details and pursuing customer satisfaction" for quality of its product realization process and customer services. The Company continuously carries out researches and fosters on-going improvement to achieve effective control on all aspects and processes from product design to delivery through a series of assurance mechanisms.

Part II Technological Innovation and Product Liability

1.1 Quality Management System and Certification





The Company has established a complete quality assurance system based on the ISO9001:2008 quality management standard. It also complies with the requirements of IRIS standard (International Railway Standard) to implement quality control during the production process of its products and the realization process thereof, while keeping suppliers under rigorous management and actively promotes project management and RAMS (reliability, maintainability, availability and safety) management.

Quality System Management Mode:



Part II Technological Innovation and Product Liability

System Certificates:

Types of System	Certificate	Description
ISO9001:2008		<p>The Company passed the ISO9001:2000 version quality assurance system certification of British Standards Institute Limited (BSI) in 2005 and the 2008 certification (as amended) in November 2009, respectively. In October 2010, Guangdong Rheinland Group (TUV) carried out review on the Company's ISO9001 and the Company passed the review in October 2012. The Company passed the ISO9001 certification of Bureau Veritas Certification (Beijing) Co., Ltd. on 31 December 2014.</p>
IRIS 02 (International Railway Industry Standard)		<p>In October 2008, the Company passed the IRIS 01 certification of Guangdong Rheinland Group (TUV), and passed the review in October 2012.</p> <p>The Company passed the IRIS certification of Bureau Veritas Certification (Beijing) Co., Ltd. on 28 October 2014.</p>
CMMI Level 3		<p>The Company passed CMMI-system three-level certification in December 2009.</p>
EN15085-CL1 (Welding Certification System for the Rail Transit Industry)		<p>The Company passed EN15085-CL4 certification in November 2012.</p> <p>The Company passed the EN15085-CL1 certification of Bureau Veritas Certification (Beijing) Co., Ltd. on 5 July 2014.</p>

Part II Technological Innovation and Product Liability

Quality Awards:

First Hunan Governor Quality Award in 2011

Industrial Enterprise Quality Benchmarking Enterprise by Ministry of Industry and Information Technology in 2013

AA Enterprise of Hunan for Industrial Product Quality Classified Regulation in 2013

AAA Enterprise of Hunan for Quality Credit in 2013

Excellent enterprise of Hunan Province quality management group activities for seven consecutive years

National excellent quality management group for seven consecutive years

1.2 Quality Monitoring Method

The Company has set up a sound and complete system of quality management and assurance system covering the whole product life cycle including marketing, design and development, procurement, manufacturing and product services etc. at a preliminary stage through a number of system certifications and effective monitoring of its processes.

Process Monitoring:

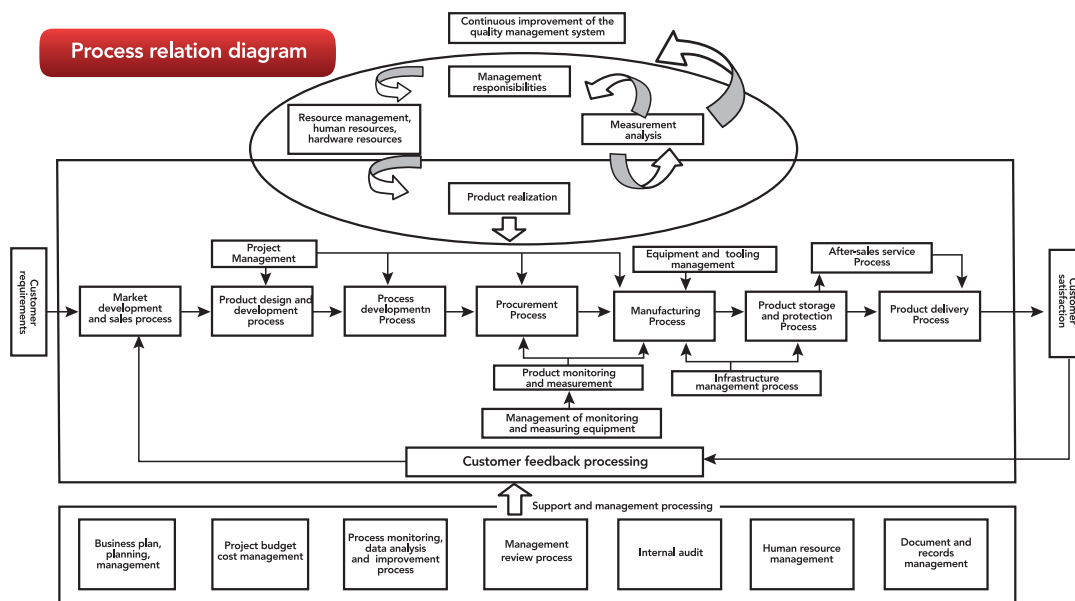
— Quality Index for Measurement and Continuous Improvement of System

The Company has established an index measuring system for the entire process, including sales, R&D, manufacturing, logistics, procurement and service, etc., which has enabled the Company to comprehensively define and quantize process quality and carry out measurement and monitoring.

Part II Technological Innovation and Product Liability

— Internal Audit and Inspection

The Company has established a three-dimensional continuous improvement system to ensure quality control through process review, process testing, internal and external audits, regular management review, non-scheduled quality inspection, data analysis, process improvement, etc. The system will also be used to identify opportunities for improvement and request for delegation of responsibility, implementation of plans as well as tracking and verification for matters which require improvement, with a view to guarantee the achievement of the improvement goals and ensure continuous improvement of the whole quality management system.



Part II Technological Innovation and Product Liability

— Quality Management of Design and Development Process

Complete Product Development Process System:

The system supports the management and quality control of the entire lifecycle of mechanical products, electric products and software products development. The product development process is divided into different projects so as to achieve quality control over each of the segments within the whole process from user needs to product type approval, including design, realization and verification and design achievements.

Platform-based Principle for Product and Design:

As data accumulated, the Company has gradually established relatively complete databases covering standards, guidelines and check items of products, technologies and processes. The Company also combines the databases with IT information systems and applies them to quality control of new product designs. The Company has also formed a platform for systematic universal products that has been used and assessed for reliability extensively so as to improve the quality and reliability of product design.

— Quality Management for Production and Manufacturing Process

The Company adheres to the guiding principle of “paying attention to details” and fully implements lean production by adopting an on-site oriented approach and focusing on technology improvement. Accordingly, it establishes standardized technique development process, technique management procedures and working standards for each position and all workers shall obtain certification before taking up key positions.

Complete Operation and Inspection Manuals:

It provides detailed and comprehensive on-site working instructions and specifies the requirements of each technique process during product production with vivid images and detailed captions, so that the site operational personnel can clearly and easily understand the information and fault operations can be avoided. Meanwhile, corresponding working instructions for product inspection, process checklists, QC engineering drawings, etc. are also provided. Workers can carry out inspection and take photos for each key process in accordance with these manuals.

Fully-equipped Technical Testing System:

The Company's manufacturing bases are equipped with a complete technical testing system including AOI, flying probe test, online test, X-RAY inspection to check the welding quality of circuit boards and high and low voltage lines inspecting device to check the quality and reliability of wiring. A number of programs and measures are adopted to check the sealing features of cabinets. The above measures ensure that the whole production process of harmony locomotives products from a single board to the whole set including cabinet processing is timely and effectively monitored.

Part II Technological Innovation and Product Liability

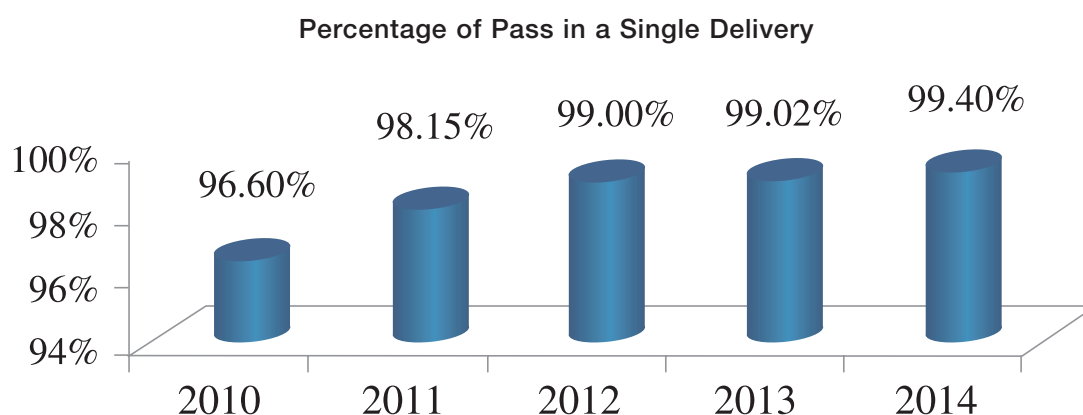
Stringent Control over Electronic Components:

The Company has also established a sound ESD and MSD control system for the manufacturing bases to achieve stringent control over electronic components from workers, machines, materials, methods, environment and measurement, which has in turn helped to ensure product reliability.

Sound Management System of Outsourcing Suppliers:

The Company has set up outsourcing control group, on-site inspectors outsourcing warehouse checking mode as well as on-site inspection system of suppliers. In addition, meetings are held every month to improve performance and quality of these outsourcing suppliers. Through these efforts, the Company can improve the quality management mechanism on outsourcing suppliers from development, prototyping, small-scale trial production to mass production.

— Product Delivery Quality

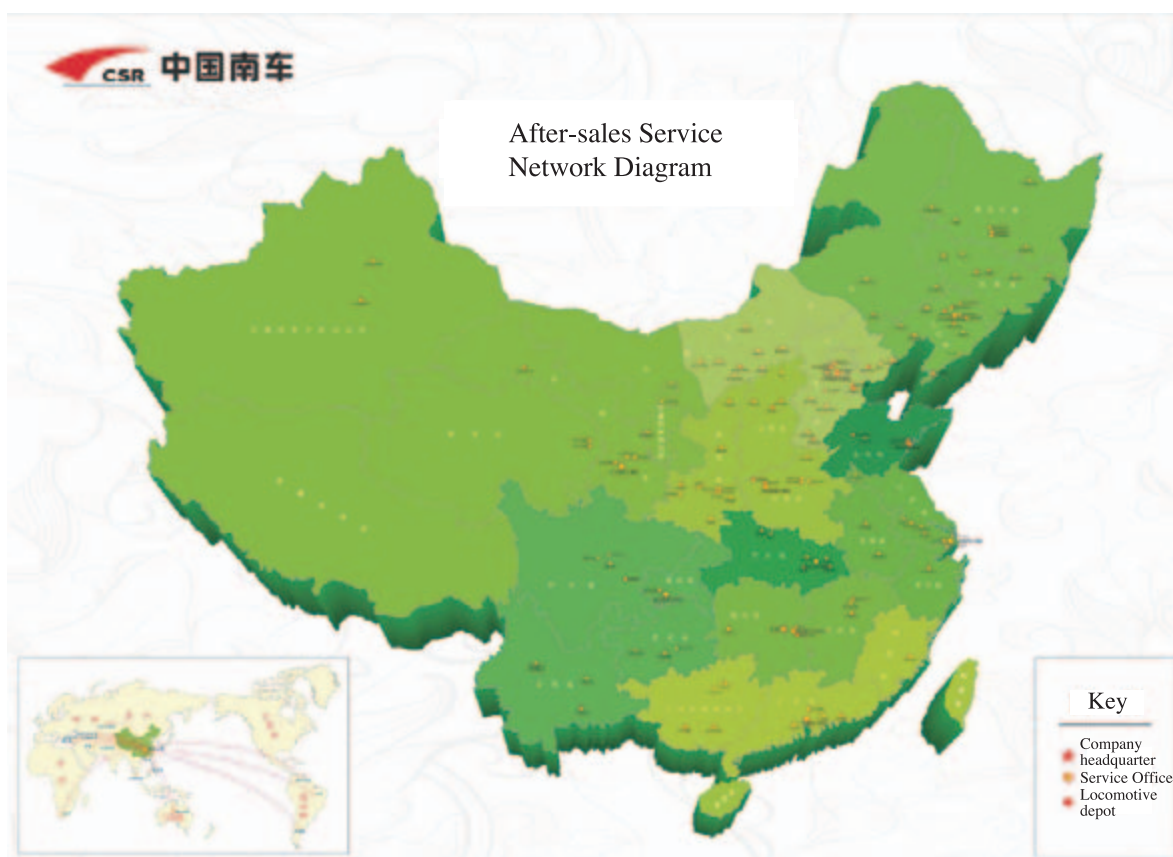


Part II Technological Innovation and Product Liability

2. After-sales Service

2.1 After-sales Service Network

The Company has a sound and global-covered after-sales service network. It has ten service offices in China, including Beijing, Shanghai, Chongqing, Shenyang, Guangzhou, Xian, Lanzhou, Zhuzhou, Wuhan and Qingdao, with 138 service stations nation-wide. The service network is also expanded to cover overseas markets with a number of service stations in Australia, Singapore, South Africa and Argentina, etc. More than 200 full-time after-sales service personnels serve in these service stations. The Company created the service brand “LUREEN” in 2004, and offered “fast, effective and satisfactory” free services within the warranty period and paid services beyond the warranty period based on agreement to customers, which facilitates prompt responses to customers’ needs.



Part II Technological Innovation and Product Liability

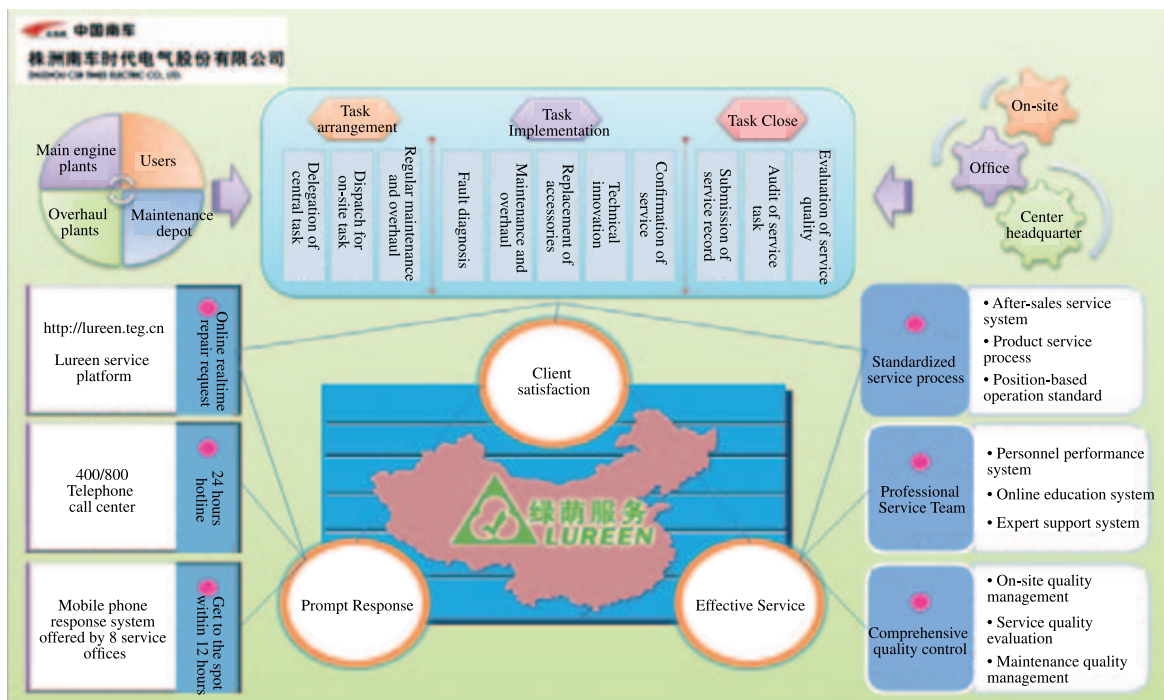
2.2 After-sales Service Implementation System

The Company has established an after-sales service information platform, which can be used to provide technical support and system training for customers, and served as an effective carrier to standardize and normalize the supply of services.

Relying on the after-sales service information platform, we have set up two hotlines: 800 878 8968 and 400 8899 927, and 64 seats to maintain communication with customers at any time and ensure customers the availability of after-sales services and technical supports, business inquiries, quality feedbacks, complaints, suggestions, and comprehensive information consultation at all times.

Relying on the after-sales service information platform, we have established the standard system for operation of on-site product services and standardized on-site services operation process. We have also issued On-site Services Specifications, Personnel Management Standard and Process, and On-site Overhaul Standard and Process, and developed the "assignment sheet" system.


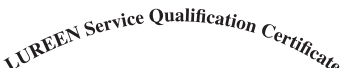

There is a complete set of work process and monitoring process from customers' feedback to the final solution of the event. All-rounded control is implemented for all segments from event occurrence to task arrangement, from task implementation to effectiveness assessment, from troubleshooting management to use of parts, and from task completion quality to customers' satisfaction.



Part II Technological Innovation and Product Liability

2.3 After-Sales Service Team Management

In order to align service staff's skills with product upgrade, the Company adopts "mentoring" system and conducts "apprenticeship" training; organizes preparation of key products troubleshooting manual and fault cases archive, which classifies trouble patterns in detail, analyzes and sets forth overhaul procedures in list form so that the troubleshooting process is clear with well-defined position and various case studies for reference. These data can also be used as the troubleshooting guideline for on-site service staff. Meanwhile, the Company has started to provide multi-media remote education through the network information platform, and contacted appraisal on the level and qualification of internal service skills with a view to continuously enhance the professional skill level of service staff.

   Zhuzhou CSR Times Electric Co., Ltd. After-sales Service Center	<p style="text-align: center;"><u>Instructions</u></p> <ol style="list-style-type: none">1. This certificate can only be used to certify the skill level and qualification and employment eligibility of technical and service staff of After-sales Service Center. The skill level is classified into six categories, from L0 to L5. Only staff members who have obtained L1 or above can engage in on-site after-sales services independently;2. This certificate shall be valid with the seal of the issuing unit;3. This certificate shall not be lent or altered without permission, and the holder shall apply for reissue immediately if lost;4. The holder shall submit this certificate to the training management department when leaving the Company.
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3. Customer Satisfaction Survey and Customer Complaints

3.1 Customer Satisfaction

The Company always takes the continuous improvement of product and service quality and continuous enhancement of customer satisfaction as its goal. Every year the Company takes many forms to collect opinions and suggestions towards our products and services from customers, including questionnaire survey, interview of customers, telephone inquiry and product promotion event, and immediately takes corresponding measures to make improvement.

Part II Technological Innovation and Product Liability

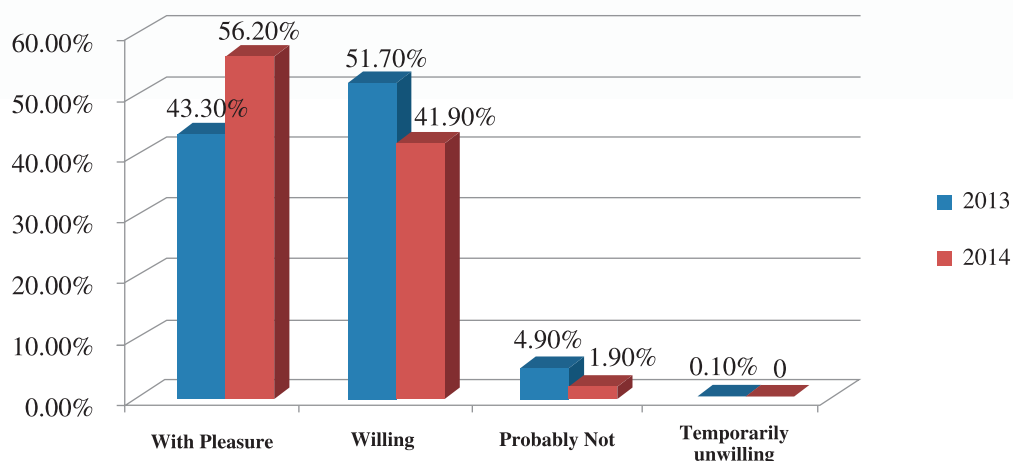
The general principle for 2014 external customer satisfaction survey of CSR Times Electric was: focusing on rail transit products while giving consideration to other traditional products. Products under this survey mainly include railway transportation electric drive control system, security monitoring devices, rail engineering machinery, etc., vehicle types involved in this survey including urban rail transit, harmony-type high-power alternative transmission locomotive, high-speed EMUs and other traditional products such as testing equipment. This survey involved 148 respondents, including 18 subway corporations, 14 locomotive depots, 8 EMU institutes, 9 car depots, 10 main engine plants/overhaul plants, 6 road bureaus, 8 local railway users, 16 track maintenance inspection institutes (machinery division), 22 track maintenance divisions, and 37 power supply sections. This survey covered 100% major product types and over 90% of our customers. Based on customers' feedback and survey data analysis, the assessment indicators on the Company's general customer satisfaction index, product quality and service quality all scored above 86.



Part II Technological Innovation and Product Liability

3.2 Customer Loyalty

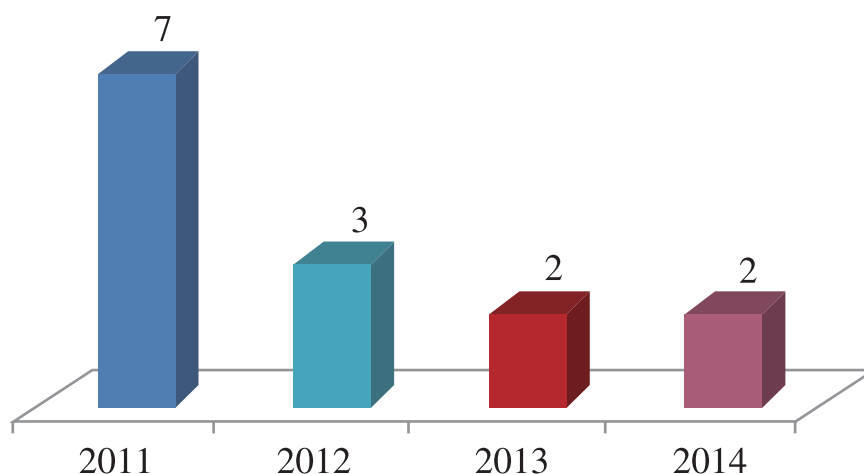
In comparison with that in 2013, a slight increase in customer loyalty was recorded with only 1.9% of customers may stop using the Company's products.



3.3 Customer Complaints

The Company attaches great importance to the settlement of customers' complaints and establishes a customers' complaint settlement team led by the quality management department. This team gives fast response to each customer complaint, understands customers' claim, makes in-depth investigation and analysis of problems, puts forth effective solutions and improvement methods, eliminates problems from the system operation, and replies to customers in a timely manner to ensure their satisfaction.

Statistics of Customer Complaints in Recent Four Years



Part II Technological Innovation and Product Liability

4. Product Safety

As a large-scale rail transit equipment manufacturing enterprise with research and development, production, distribution and sales in one and core supplier of railway rolling stock parts, the Company's products are widely used in high-speed trains, and the safety and reliability of the products are therefore directly related to the lives and safety of millions of passengers. Product quality equals to safety, and safety is the life assurance of millions of passengers, which is also the golden rule for enterprise's survival. The Company has always regarded product safety as the core of its product quality work. Based on the technology security policy of "complying with railway safety standards to establish product safety concept; understanding product safety effectiveness to improve safety rules and norms; producing safe and reliable products to ensure train traffic safety", the Company implements strict control measures on various aspects including marketing, design, procurement, production, delivery and after-sales, and resolutely puts an end to product quality and safety problems. With the efforts of all staff, there was no product quality and safety incident in 2014.

4.1 Guarantee of Product Safety (Reliability)

★ **Overall Promotion of Quality Safety Risk Management.** In 2012, the Company established quality safety working team, organized special training and perfected risk management and control system. The Company formulated and steadily advanced its annual special working plan, completed risk source identification and compiled a list of risk sources. The Company also focused on the promotion of RAMS and implemented quality safety risk management on product design sources.

★ **Deepen the Application of Rail Transit RAMS and LCC.** The implementation of the special project of Rail Transit RAMS and LCC Application has perfected and optimized the RAMS/LCC management procedure. Four pilot projects, namely Georgia EMUs project, Wuxi subway project, network platform product DTECS-2 and TPX21C displayer, have been defined. The Company has established the operation instructions and modules for RAMS design, RAMS testing verification, RAMS manufacturing and RAMS maintenance of the pilot projects, sample documents were also formed correspondingly.

★ **Develop Special Work for Technical Research and Management Upgrade of Key Materials.** By making full use of the expert resources and extensively collecting design resources, the Company has developed special work for "five equipment". It has also deeply implemented technical certification and established standard procedures for material technical certification. On the basis of this opportunity, the Company perfected its technical specification, developed 6 key materials technical researches for 6 key materials such as power capacitor; improved all the key procedures of technical certification, strengthened material testing verification, management and control of key technologies and established a complete tracking mechanism from material selection to mass production application. Meanwhile, the Company also enhanced the using conditions, indexes, parameters etc. in the technical specification, and strengthened requirements on material application from design, technologies, testing and quality, etc.

Part II Technological Innovation and Product Liability

4.2 Product Certification

From 2013 to 2014, the Company were certified by CRCC certification for 18 categories of railway products:

No.	Product Unit with Certification	Type & Qty	Certificate No.	Issuing Date	Issuing Agency
1	Train Running Monitoring Device	2	CRCC10213P10959R1L	2013/7/17	China Railway Test & Certification Centre
2	Auxiliary Conversion Module	2	CRCC10213P10959R1L-1	2013/10/29	China Railway Test & Certification Centre
3	Auxiliary Converter, Single-phase AC Input Auxiliary Converter	2	CRCC10213P10959R1L-2	2013/10/29	China Railway Test & Certification Centre
4	Auxiliary Locomotive Electrical Cabinet, DC600V Power Supply Device	9	CRCC10213P10959R1L-3	2013/10/29	China Railway Test & Certification Centre
5	Passenger Car Charger	2	CRCC10213P10959R1L-4	2013/10/29	China Railway Test & Certification Centre
6	Inverter Power Supply of Passenger Car Air Conditioner	2	CRCC10213P10959R1L-5	2013/10/29	China Railway Test & Certification Centre
7	Power Module of Traction Converter	14	CRCC10213P10959R1L-6	2013/10/29	China Railway Test & Certification Centre
8	Traction Converter/Rectifier Cabinet; Traction Converter of AC Drive Power Locomotive	3	CRCC10213P10959R1L-7	2013/10/29	China Railway Test & Certification Centre
9	Automatic Onboard Neutral Section Passing System	1	CRCC10213P10959R1L-8	2013/11/6	China Railway Test & Certification Centre
10	Automatic Locomotive Video Monitoring and Recording Subsystem	1	CRCC10213P10959R1L-9	2014/1/8	China Railway Test & Certification Centre
11	Train Power Supply Monitoring Subsystem	1	CRCC10213P10959R1L-10	2014/1/8	China Railway Test & Certification Centre
12	Uncontrollable EMU Rectifier Battery Charger (Auxiliary Rectifying Device)	3	CRCC10213P10959R1L-11	2014/1/14	China Railway Test & Certification Centre
13	Auxiliary EMU Converter (Single-phase AC Input)	5	CRCC10213P10959R1L-12	2014/1/14	China Railway Test & Certification Centre
14	Air Interchanger of EMU Air Conditioner	2	CRCC10213P10959R1L-13	2014/1/14	China Railway Test & Certification Centre
15	EMU Traction Converter	4	CRCC10213P10959R1L-14	2014/1/14	China Railway Test & Certification Centre
16	EMU Network Control System	1	CRCC10213P10959R1L-15	2014/1/14	China Railway Test & Certification Centre
17	Auxiliary Converter Control Unit	3	CRCC10213P10959R1L-16	2014/2/19	China Railway Test & Certification Centre
18	Power Locomotive Rectifier Cabinet	12	CRCC10213P10959R1L-17	2014/2/19	China Railway Test & Certification Centre

Part II Technological Innovation and Product Liability

4.3 Improved Test Verification System

☆ Approval and Authorization

The Company successively invested and constructed testing labs with qualification of national level and provincial level, which have currently been

- Testing Station of Electric Traction Equipment under Product Quality Supervision and Inspection Center of the Ministry of Railways (MOR)
- Experimental Center of Zhuzhou National Engineering Research Center of Converters
- Accredited lab of China National Accreditation Service for Conformity Assessment (CNAS)
- Traction and Control of Locomotive and EMU of National Key Lab
- Contracted lab of China Railways Product Certification Center (CRCC)
- Testing Center of China Metrology Accreditation (CMA)

☆ Inspection and Testing Capability

RAMS lab:

RAMS lab is equipped with a 60 m³ walk-in test chamber for high-low temperature thermal & humidity, rain and dust, a 5 m³ salt spray test chamber, a 2.8 m³ test chamber for rapid temperature variation, which is a combined test chamber for temperature, humidity and vibration; and a newly added electrodynamics vibration generator with rated thrust of 20 t, which was ranked first in three aspects in China, including 3 m×3.5 m table facet (the largest in China), stroke of 3 inches (the longest in China) and 2.75 times of impacted thrust (realization for the first time). Together with EMC lab, it maybe able to complete large electric railway equipment's compatibility test on electromagnetic environment, climatic environment and mechanical environment according to the required standard.



Walk-in Rain Test
Chamber

Walk-in Dust Test
Chamber

System-level Product
Vibration Test

Part II Technological Innovation and Product Liability

☆ Electronic Device Lab:

Relying on RAMS test and EMC test, the electronic device lab can undertake functional research and qualification test of whole set of electronic devices (such as microcomputer control cabinet, drive control unit, train running monitoring and recording device, electric measuring transducer, electric measuring indicator etc.) for track transit concerning all control, regulation, protection, power supply etc.



High-low Temperature Thermal & Humidity Test Chamber

Passenger Train Electrical System Laboratory

It uses corresponding power supply, load, measurement and control system to build all types of trunk passenger train electrical system, locomotive auxiliary power for CRH, etc. to establish 1:1 system test platform.



AC converter test system



DC converter test system



Small power supply test system



Module and drive test system

Part II Technological Innovation and Product Liability

☆ EMC Lab:

In EMC Lab, the testing frequency of EMI system is up to 18 GHz, and the testing frequency of EMS system is up to 8 GHz, fully covering 3G fields. The testing capability of EMC lab once again plays a leading role in the industry.



Part III

Environmental Protection

I. Environmental Protection Policy

Upholding the philosophy of respect for employees and environmental protection, the safety and environmental protection concept has permeated to all production and operational activities of the Company in the pursuit of a pollution-free, disaster-free environment and protection for the legitimate interests of its employees, at the same time created a positive social image and seeking for sustainable development of the Company.

II. Environmental Protection Performance Management Data

1. Discharge of Industrial Solid Waste and Hazardous Waste

Year	Organic Waste	Waste with Copper Content	Others	Total
Hazardous Waste in 2012	26	28	15	69
Hazardous Waste in 2013	35	50	12	97
Hazardous Waste in 2014	37	89	20	146

Our Company collects and stores solid wastes separately in the same manner as general industrial solid wastes and hazardous wastes. Our Company will first consider to recycle the general industrial solid wastes to the greatest extent. Unrecyclable general industrial solid wastes will then be sent to qualified units for hazard-free disposal; while hazardous wastes will be sent to the relevant units responsible for hazardous waste treatment for disposal. Our Company strictly follows the relevant national laws, regulations and policies in the process of hazardous waste treatment. Approval will be obtained before transfer of hazardous wastes; and hazardous waste transfer sheet will be completed and reported to Zhuzhou Environmental Protection Bureau for record upon transfer. With the increase in scale and production capacity of the Company, the quantity of hazardous wastes generated and disposed in 2014 increased considerably in comparison with that of last year. In 2014, the Company generated a total of 146 tons of hazardous wastes in the process of production, all of which were sent to the relevant units responsible for hazardous waste treatment for disposal. A qualified treatment rate of 100% was achieved.

2. Discharge or Emission of Waste Water and Exhaust Gas in Compliance with Required Standards

Year	Volume of waste water discharged (ten thousand tons)	Volume of waste water treated (ten thousand tons)	Ratio of waste water in compliance with discharge standard
2012	39.5	39.5	100%
2013	40	40	100%
2014	41	41	100%

Part III Environmental Protection

In 2014, the Company strictly followed the relevant national laws and regulations to manage its sewage treatment stations and exhaust gas treatment facilities. All pollutant discharge data, supervised and monitored by monitoring authorities and government environmental protection administration entrusted by the Company, conformed to the requirements of relevant laws and regulations. No environmental illegality or environmental pollution incidents was recorded. In 2014, the Company generated about 410,000 tons industrial waste water and the volume of waste water treated by sewage treatment station in compliance with discharge standard amounted to 410,000 tons. A treatment rate of 100% was achieved.

III. Environmental Management

1. Environmental Management System and Certification

The Company obtained the certification of ISO14001 environmental management system as early as in 2006. Through the process control under the environmental management system, such as performance monitoring, internal audit, supervision, check, management review, etc., the operational performance of the Company's environmental management system has improved continuously. In October 2014, the Company passed the review of British Standards Institution (BSI) Company for its ISO14001 environmental management system certification, and shut down some of the facilities to rectify the three environmental protection problems discovered during the review pursuant to the relevant requirements.



ISO 14001 Environmental Management System Certificate

Part III Environmental Protection

2. Environmental Protection Products

In the process of production, the Company always advocates the “Green” concept of CSR's core brand value and vigorously promotes the use of environmental-friendly materials and environmental-friendly technologies so as to create environmental-friendly green products for the society.

3. Environmental Protection Improvement Projects

A new set of exhaust gas purifying device was added in the coating procedure of the electronic workshop in the manufacturing center, which has effectively reduced the emission of harmful gases in the coating procedure.

IV. Environmental Compliance Description

During project construction, the Company actively carried out its construction work by adopting the “Three Simultaneity” policy so as to ensure that the environmental protection facilities and construction projects will be designed, constructed and put into operation at the same time.

During the process of production and operation management, the Company has complied with the relevant national, provincial and municipal environmental protection laws, regulations and statutes, and that of the Ministry of Environmental Protection, and timely obtained, updated and conveyed the relevant environmental protection regulations and standards. The Company conducted its day-to-day internal environmental protection management based on these new regulations and standards. Meanwhile, the Company actively fulfilled its corporate environmental protection obligations and implemented the principles and policies of national energy saving and emission reduction. There was no punishment imposed by the relevant departments due to any violation of environmental regulations.

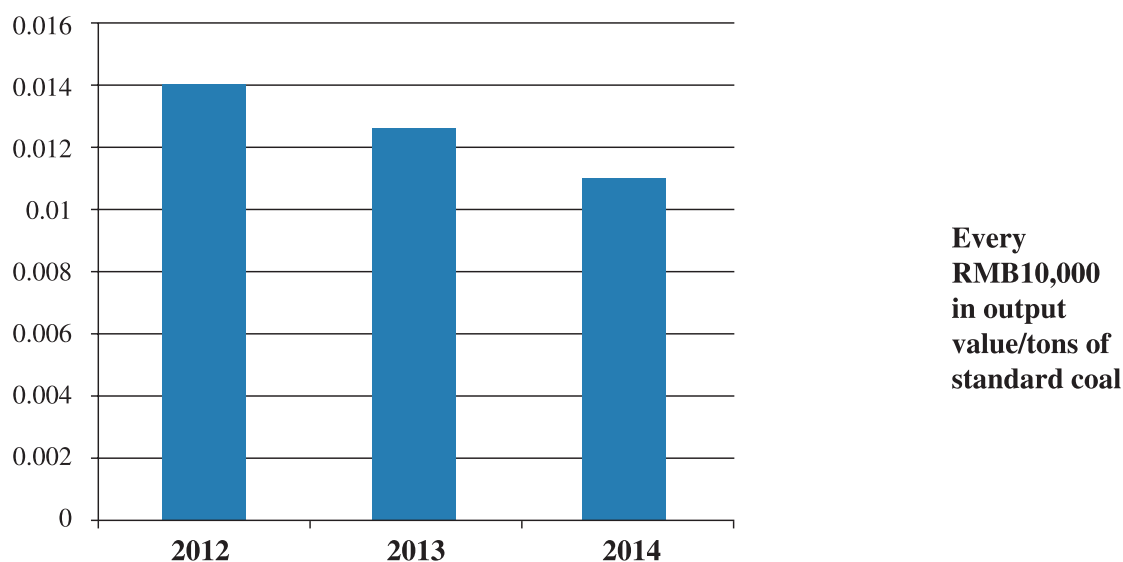
Part III Environmental Protection

V. Energy Saving, Consumption Reduction and Comprehensive Governance

1. Energy Saving and Consumption Reduction

In 2014, adhering to its energy management policy of “Maintaining excellence in social responsibility, Nurturing first-class employees and Serving the world with green products”, the Company consistently implemented the national and government policies of energy saving and emission reduction and actively developed various energy saving projects by ways of energy saving management, technology upgrades and skill improvement. As a result, the Company has achieved energy saving and consumption reduction of standard coal of 1,250 tons. Despite the relatively significant increase in output value, the Company’s comprehensive energy consumption for every RMB 10,000 in output value has decreased by 8.3%. The Company received the Hunan Province Management Innovation Award – First Prize for the establishment of its energy management system; while its comprehensive energy saving project was awarded a financial subsidy of RMB 3.9 million under the Alternative Investment Project within the Budget of the Central Government in 2014 for Resources Conservation and Environmental Protection of the PRC, which signifies the recognition and endorsement of the Company’s effort in energy saving and emission reduction on a national level and its outstanding contribution to the building of a resources-saving and environmental-friendly society.

**Comprehensive Energy Consumption for
Every RMB 10,000 in Output Value**



The major energy saving and consumption reduction projects of the Company in 2014 are as follows:

1.1 Reciprocal Power-fed Motor Testing System

With a view to upgrade its existing testing technology and develop a more reasonable testing platform, the Company has adopted the reciprocal power-fed motor testing system for converters and traction motors in its inspection and experiment center and the total amount of investment made was RMB 16 million. By conversion of the three-phase AC electric, the massive energy generated from the testing will be converted into industrial frequency AC electricity that conforms to the requirements of industrial power grid via testing converters. These will thus enable the energy to be recycled and reused, which will in turn lower testing expenses and reduce energy consumption, thereby saving a total of 2.3 million kWh of electrical energy throughout the year.

1.2 Special Project on Air-conditioning

- (1) The printed circuit business department of the Company has implemented an energy efficiency reform for the central air-conditioning units (saving 300,000 kWh of electricity with an investment of RMB 2.58 million). Energy efficiency reform: The Company will cease to use the current central air-conditioning system and replace the existing steam lithium bromide units and air-cooling modules units with natural gas direct-fired units. The main advantage of the reform is that with the use of natural gas direct-fired unit, which is a kind of clean energy with excellent primary energy efficiency, the Company will thus be able to reduce both pollution emission and operation costs.
- (2) Maintenance of mainframe system of the central air-conditioning in the manufacturing center.
The idea of the energy efficiency reform is to improve the heating and cooling models in the plant areas and implement sectioning of cold (hot) water supply to minimize the chance for the units to operate at full capacity. This is mainly demonstrated by the supply of cold (hot) water by the direct-fired lithium bromide cold water units for the use of electronic product department or system assembly plant separately.

Part III Environmental Protection

- (3) The heat recovery steam generator was used by the administration and security department, which has reduced natural gas use of 150,000 m³.

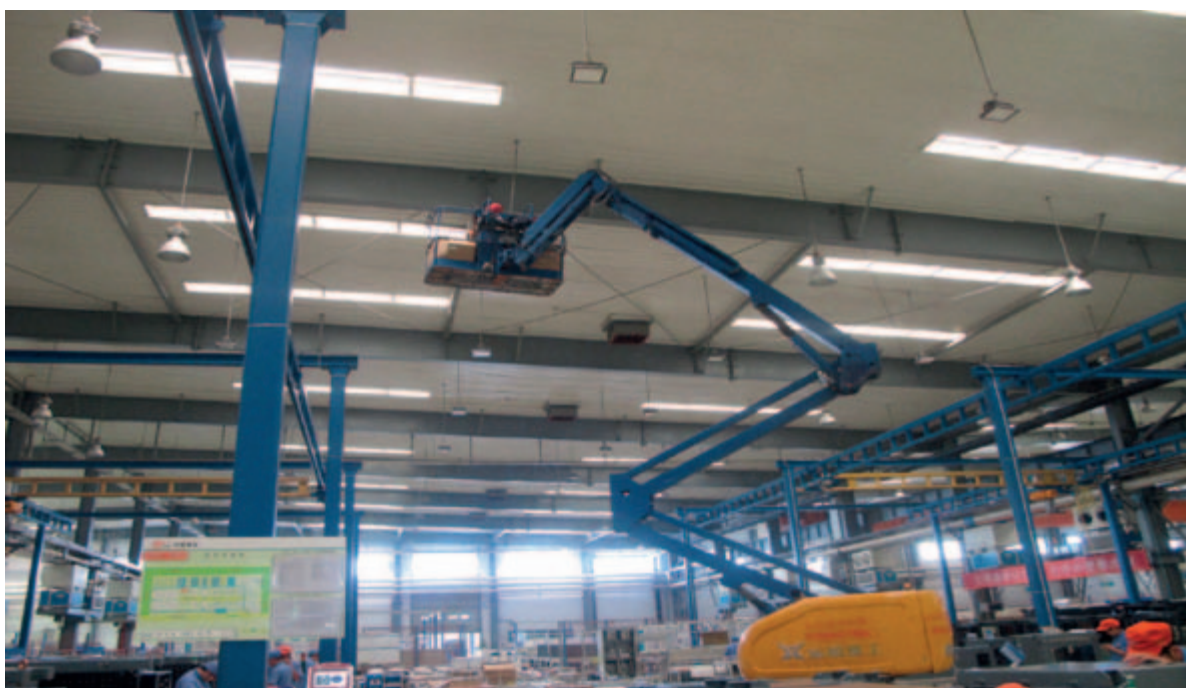


Heat Recovery Steam Generator

Part III Environmental Protection

1.3 Special Project on Energy Efficiency Reform of Lighting Facilities

The Company has invested a total of RMB 5.75 million to improve all the LED lighting facilities in the administration building and manufacturing center of the Company Headquarter. Through testing and comparison, it is discovered that LED lighting facilities can save over 60% of energy as compared to that of traditional non-energy-saving lighting facilities under the same intensity of lighting. After the completion of all of the goals of the reform, the total lighting power will be reduced by 9.539 million kWh, thereby saving a total of 2 million kWh of electrical energy throughout the year.



Energy Efficiency Reform of LED Lighting Facilities in the Company Headquarter

1.4 Special Project on Energy Efficiency Reform of Air Compressor

- (1) Energy efficiency reform by installing variable frequency control devices for 75 kW air compressor
The Company has installed variable frequency control devices for its air compressor in order to reduce the free running time of the air compressor and thus reduced electricity consumption.

Part III Environmental Protection

(2) Energy efficiency reform by adopting heat recovery system for 75 kW air compressor

The Company has implemented energy efficiency reform of the air compressor system by recycling the heat energy emitted to the air and applying such energy to pre-heat the supplementary water for the boilers. This can thus reduce gas supply while it is not necessary to switch on the cooling water pump, thereby saving a large amount of electrical energy.



Energy Efficiency Reform Project of Air Compressor

2. Social Management and Comprehensive Governance

In 2014, under the guidance of CSR Zhuzhou Electric Locomotive Research Institute (CSR Zhuzhou Institute) and the comprehensive governance committees at all levels, the Company adhered to the main theme of “Raising Red-line Consciousness, Strengthening Safety Development” and focused on the development of “Four Effectiveness”, “Four Protections” and “Four Nos”, which generally laid a strong foundation for the comprehensive governance of the Company and enhanced the effectiveness of various functions. The Company is fully committed to the development of a comprehensive governance system of “Full Coverage, Strict Enforcement, Zero Tolerance and Value Effectiveness” and a leader accountability system of “Person-in-charge is the Responsible Person” by means of monitoring and inspection, supported by potential risks rectification. The Company continued to push forward various tasks of comprehensive governance and continued to make progress. During the year, no major safety responsibility incident of comprehensive governance has been recorded by the Company, laying a solid foundation for the Company's safe operation, so as to achieve its “RMB 10 Billion Goal” and maintain sound development. The major work included:

2.1 Continuing to Improve Infrastructure Construction and Establish Multi-level Management System to Achieve the Goal of “Enhance Safety System and Focus on Safety Work”

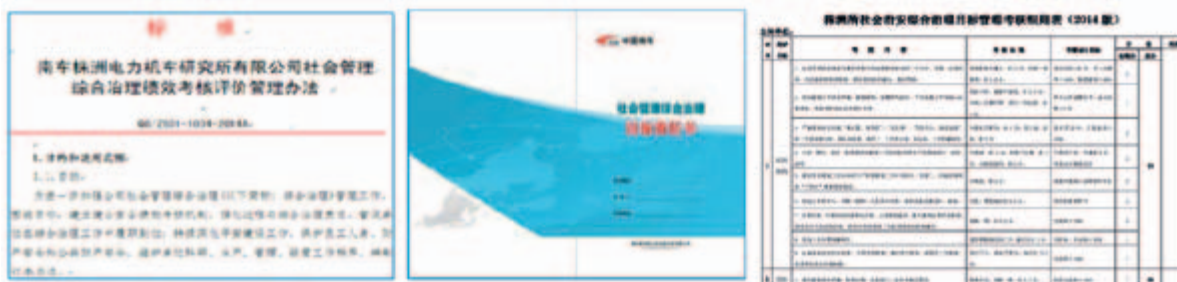
This year, the Company focused its efforts on the achievement of its annual major objectives by adhering to the main theme of “Strengthen Safety Foundation and Promote Safety Development” for its comprehensive governance work and fully implemented the working requirements and business guidelines from the higher authorities. The Company consistently upheld the comprehensive governance principle and policy of “Person-in-charge is the Responsible Person” and “Combining punishment and prevention with emphasis on the latter, Joining the efforts of both professionals and the masses with emphasis on the latter” and continued to promote the improvement of the establishment of comprehensive governance management organization and the development of relevant systems, so as to ensure the achievement of various comprehensive governance goals such as “No serious fire accident, No major criminal case related to public order, No major incident concerning foreign affairs, No illegal appealing to higher authorities or mass disturbance and No illegal actions by party member cadres”. The Company made full efforts to establish the “Four-in-One” comprehensive governance and management system, featuring “Personnel Protection, Physical Protection, Technology Protection and System Protection” and “Effectiveness in terms of organization, system, task and protection” with accountability structure “from left to right, from top to bottom”, thereby laying a solid foundation for safety and protection to ensure the fast, healthy and continuous development of our scientific research and production.



1. Under the leadership and guidance of the comprehensive governance committee of CSR Zhuzhou Institute, the Company made timely adjustment and established an independent working group for the Company's social management and comprehensive governance work. The Company newly issued the *Administrative Measures for Assessment of Comprehensive Governance Performance* and revised the *Rules for Assessment of Annual Comprehensive Governance Objectives*, both of which served as bases for our work.

Part III Environmental Protection

- Through investigations and researches, the Company improved, published and implemented the *Responsibility Commitment of 2014 Social Management and Comprehensive Governance Objectives*. Such commitments have been signed simultaneously with the *Responsibility Commitment of Safe Production Objectives* with various major units in the first quarter. A total of nine commitments have been executed.
- In addition to improving the administrative measures for the development of fire services and transportation, pursuant to the requirement of “One Position with Dual Responsibilities” of the Party and political leaders, the Company fully implemented the layout of “Enhance Safety System and Focus on Safety Work” for its social management and comprehensive governance, with delegated legal person to accept accountability, leaders to take charge, competent management department to handle implementation, all units to execute in full force and employees to participate actively. All these have helped to ensure our safety and served as a solid organizational protection for the development of “Three Civilizations” of the local community and the Company.



2.2 Focusing on Supervision of Specialized Work, Diligently Fulfill Its Responsibility and Promote the Development of Relationship with Different “Departments and Regions”

Safety and stability provide bases for and safeguard the sound and healthy development of a company. In 2014, the public order management within the Company adhered to the theme of “safety and development”, and focused on the continuous improvement of comprehensive governance management and the ability of its security team. The Company strived to fulfill its functions and actively built up the “professionalized and specialized” ability of its comprehensive governance and safety management, at the same time consistently promoted the development of relationship with different “departments”. Based on the actual circumstances of each unit, the Company effectively enhanced the security team’s ability in handling various hidden risks of public order as well as their “independent handling” ability with a view to maintain internal safety and stability of the units. Regarding the safety of different “regions”, the Company continued to enhance its ability by carrying out the principle of “managing our own business, staff and fields”.

Part III Environmental Protection

- 1. Supervision and Inspection:** According to the annual plan, the Company took *Responsibility Commitment of Comprehensive Governance Objectives* as its goal and *Administrative Measures for Assessment of Comprehensive Governance Performance* as the basis to conduct regular inspection on comprehensive governance and safety management with a focus on work such as “inspecting hidden risks of public order, conflicts and disputes, fire service safety management and management of personnel travelling abroad”. The aim of these efforts was to reduce, prevent and put an end to hidden safety risks of comprehensive governance and promote the continuous perfection and improvement of the development of comprehensive governance management system and its overall working capacity. During the year, the Company organized and held more than 20 comprehensive governance safety inspections, including quarterly inspection, holiday inspection and specialized work inspection. Over 180 different hidden safety risks regarding comprehensive governance were identified, including vague delimitation of duties in some business units, exclusion of comprehensive governance from the agenda, ineffective implementation of accountability system, undue completion of *Material Exit Permit*, delayed maintenance of fire-extinguishing devices, deficiency in safety marks and identifications, blocked safety passage and delayed information feedback on personnel travelling abroad. The rectification rate of hidden risks reached 100%, signifying continuous improvement of the “level of inherent safety” of our comprehensive governance management.
- 2. Safety and Security of Major Events:** According to the *Security Plans for Major Events* of the Company and the instructions of the supervisors, the Company will continue to improve the *Security Plans*, at the same time continue to demonstrate the level of management specialization and professional ability of security to ensure that major events can be carried out in a safe and orderly manner. During the year, the Company completed a total of over 200 receptions of various types, among which four were related to security of visit or on-site inspection of VIP, 78 were related to security of visit or on-site inspection of special visitors, 5 were related to live events such as *Result Announcement of 8-inch IGBT Research, Development and Industrialization of CSR Zhuzhou Institute and CSR International Football Match*. No safety accident has occurred.



Part III Environmental Protection

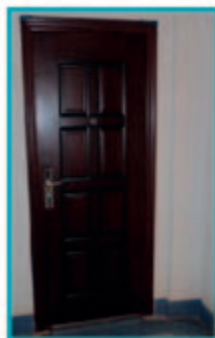
3. Continuous Improvement in “Four Protections” Ability: The Company made full effort to establish a “Four-in-One” internal prevention management system of “Personnel Protection, Physical Protection, Technology Protection and System Protection” through the continuous improvement of its management system, such as comprehensive governance organizational bodies. It also strove to promote clear “departmental” and “regional” management and developed orderly comprehensive governance working environment for all staff to participate in.

(1) Personnel Protection: Currently, the Company has established a “personnel protection team” for comprehensive governance and internal security, with delegated legal person to accept accountability, leaders to take charge, competent management departments to handle implementation, subordinate divisions to participate actively and professional teams to be responsible for internal safety and security (Times Property Security Team, with a total of 385 members). Meanwhile, the Company closely followed the requirements of “corporate culture development” (BI culture development requirements) and strictly implement the duties and functions of supervision, guidance and assessment of the safety management of the entrusting party pursuant to relevant agreements, and continued to enhance the awareness towards safety, responsibility and service of our employees. During the year, the Company conducted about more than 60 security development inspections and issued 17 documents in relation to report on problem inspected, assessment results and suggestions for improvement. Less than 71 problems of various types were reported. The amount of penalties and awards based on the assessment were approximately RMB 4,000 and RMB 9,000, respectively. With the help of two-way assessment and supervision, the comprehensive quality and ability of the security team of the Company have been effectively enhanced.

(2) Technology Protection: According to the requirements of various authorities of higher levels, including public security, fire service and national security, the Company took the opportunity of the construction of fire service control room in compliance with the required standard to upgrade and renovate two sets of automatic fire alarm systems in the joint factory building of Times Technology Building and the manufacturing center, and standardized the regulation for fire service control room, such as “posting regulations on walls, shift duty of fire service personnel and maintenance of a daily fire safety inspection record”. Meanwhile, the Company has developed a “CCTV monitoring” network to implement “relatively centralized monitoring” at “scientifically reasonable locations”, which has fully demonstrated the importance of technology protection facilities and equipment in comprehensive governance and safety management. Currently, the Company has completed the development of a network management system with “regional departments in different regions, each department with specialized personnel, each personnel with distinctive expertise and carry out round-the-clock monitoring”, which has reduced “long hours working” and management loopholes and dead angles, thereby providing protection of information for maintaining internal safety and stability. During the year, the Company invested approximately over RMB 1.2 million and added over 100 new monitoring points.

Part III Environmental Protection

- (3) **Physical Protection:** Building on the basis of personnel protection, the Company further established and improved the development of physical protection to achieve all-rounded monitoring and control in various aspects. The Company organized and completed the facility-supported safety management which integrated door identification, security door and monitoring camera for various units and departments, including Railway Business Department, Urban Rail Business Department and Hunan Specialized Company. Total investment amounted to approximately RMB 350,000. This has thus formed an all-rounded security control of internal safety and increased our management and control ability. Meanwhile, based on the features of multiple new projects of renovation and expansion, the Company has supervised and instructed the relevant authorities to strictly implement the safety management model of “closed-end” physical separation to ensure that the construction projects will be completed in a safe and orderly manner.
- (4) **System Protection:** With the consistent deepening of reform and development of the Company, in order to enhance management, the Company has improved various methods and systems regarding comprehensive governance and safety management by focusing on prevention of fire, theft, accident and damage as well as response to emergency situations. These methods and systems include *Administrative Measures for Comprehensive Governance*, *Administrative Measures for Fire Safety*, *Administrative Measures for Road Safety*, *Code of Conduct for Security Personnel* and *Special Plans for Mass Disturbance*, all of which have enabled the Company to gradually normalize, standardize and formalize its comprehensive governance and safety management and established a new protection system for internal safety precaution, management and control.



Part III Environmental Protection

4. Management of Security Guard: The Company has stepped up its effort in the management of access control of security guards, materials and vehicles pursuant to the regulations of the Company. During the three special inspection organized by the Company, various problems regarding *Exit Permit* such as undue completion, omission and alteration have been found. In this regard, the Company has raised the accountability of various units for *Exit Permit*. By mid-November, the Company has issued 256 access permits for staff vehicles, 35 for other vehicles and 101 temporary access permits for external workers. The Company has also reviewed and issued 270 temporary access permits for workers. The Company has reviewed and approved exit permit of materials and registered personnel for various units. So far, the registration of 10 personnel in the subdivision has been withdrawn, with 12 personnel newly approved. Such procedures have effectively guaranteed the safe and orderly exit of the Company's property and material.

5. Enhancement of National Security Awareness and Prevention of Incidents Concerning Foreign Affairs

With the increasing pace of internationalization of the Company, there will be more exchange of technical know-how and business activities and the hidden risks of security including national security and confidentiality will become even more obvious. In order to prevent and control the occurrence of various incidents concerning foreign affairs, the Company strictly implemented the requirements of organizations at various levels and consistently upheld the principles of "No foreign affair is trivial", "Tighten internal management while loosening external control" and "Person-in-charge is the Responsible Person". Through these measures, the Company has improved the development of organizational bodies for national security and management, established and perfected the three-level accountability system from the Company to business units (departments) and workshops (groups). Meanwhile, the Company has established an information network system of national security, clearly defining the person-in-charge of business units (departments) and workshops (groups) as liaison officers and these personnels will be responsible for facilitating the Company's everyday work to develop civil defense for national security and actively connecting different units and workshops. These efforts have been recognized by the higher-level authorities and the Company was awarded *Advanced Unit* in national security management.

(1) Re-building of System Procedures to Increase Working Efficiency. Based on the actual conditions, the Company timely improved the procedure for "Application for ordinary passport and access permit of staff" and newly promulgated the *Application Form for Ordinary Passport*. These strict restrictions on "passport management" have helped to reduce the risks of work concerning foreign affairs. So far, there are over 500 personnels of the Company travelling in about 100 times to work abroad, effectively securing the sound development of the Company's various businesses overseas.

- (2) **Hierarchical Management to Reinforce Sense of Responsibility.** Given the characteristics of the Company's broad coverage with numerous subdivision and personnel, in order to effectively fulfill its responsibilities, the Company implemented the "hierarchical" management model and working system of "Overall planning and control of key personnel by the Company, Management of general staff by units", further clarifying the responsibilities and tasks of national security management at various levels and strictly adhered to the principle of "Person who sign is the responsible person". Meanwhile, the Company established information bank for specific employees and registered personnel responsible for business in Hong Kong and Macao. Currently, the Company has 337 personnel "under control" in total.
- (3) **Increased Efforts in Education to Increase Awareness.** In order to prevent and put an end to incidents concerning foreign affairs, the Company has moved forward the gateway of national security management. In addition to strictly implementing "declaration and approval of tasks and personnel travelling abroad", the Company has enhanced its management in various aspects, including "review of personnel travelling abroad, safety training before travelling abroad and interviews on working and living conditions after returning to the country", so as to timely understand and capture the information concerning foreign affairs, and formulate targeted, scientific and reasonable working plans for national security management. So far, the Company has organized five rounds of education and interviews. These activities involved participation of 18 personnels, including chief experts, senior engineering technicians, heads of departments and technicians. The Company has also organized a special research project named *Development and Application of Permanent-Magnet Motor Technology* in this regard.
- (4) **Consolidation of Foundation to Keep Track of the Situation.** According to requirements of "annual review and filing" for employees with specified identity and registered personnel responsible for business in Hong Kong and Macao, the Company has timely completed the information statistics and registration of related personnels, and adopted "timely dynamic" management. It has also improved its statement or information forms such as *Management Account of Oversea-based Organizations, Institutions and Personnel of the Company* and *Account of Oversea-based Personnel of the Company*.

香港电气有限公司组织架构图 (2023.03)

序号	单位名称	负责人	联系电话	电子邮箱	办公地址	主要业务	备注
1	香港电气有限公司	李俊雄	852-2111 1111	lijunxiong@hkex.com.hk	香港湾仔皇后大道东183号	集团总部	
2	香港电气有限公司财务部	李俊雄	852-2111 1111	lijunxiong@hkex.com.hk	香港湾仔皇后大道东183号	集团总部	
3	香港电气有限公司人力资源部	李俊雄	852-2111 1111	lijunxiong@hkex.com.hk	香港湾仔皇后大道东183号	集团总部	
4	香港电气有限公司市场部	李俊雄	852-2111 1111	lijunxiong@hkex.com.hk	香港湾仔皇后大道东183号	集团总部	
5	香港电气有限公司研发中心	李俊雄	852-2111 1111	lijunxiong@hkex.com.hk	香港湾仔皇后大道东183号	集团总部	

香港电气有限公司人员登记表

序号	姓名	性别	出生日期	身份证号	护照号	学历	专业	职称	现任职务	入职日期	合同到期日期	备注
1	李俊雄	男	1965.11.17	36010119651117001X		本科	工商管理	高级经济师	集团总裁	2000.01.01	2025.12.31	
2	李俊雄	男	1965.11.17	36010119651117001X		本科	工商管理	高级经济师	集团总裁	2000.01.01	2025.12.31	
3	李俊雄	男	1965.11.17	36010119651117001X		本科	工商管理	高级经济师	集团总裁	2000.01.01	2025.12.31	

Part III Environmental Protection

6. Strengthen Promotion of Road Safety to Enhance the Road Safety Awareness of the Staff and Maintain Safe Production

(1) **Strengthen Promotion of and Education on Safety to Enhance Safety Awareness of All Employees.** The Company regularly published *Friendly Reminder* for drivers via public information platforms, and was complemented by publication of promotional newspaper covering topics from "laws and regulations", "safety signs" and "accident case studies and analysis" so as to carry out its promotion of and education on road safety continuously in the Company and constantly enhance the safety awareness of the staff. The Company has published more than 10 promotional newspapers during the year.



(2) **Consolidation of Foundation to Facilitate Advancement in Management.** Adhering to its annual working plans and based on the actual circumstances, the Company has established the management model where competent departments will be responsible for overall management and business units will be responsible for implementation in details and promoted the implementation of "Person-in-charge is the Responsible Person". Meanwhile, the Company has been consistently improving the *Informational Account of Vehicles and Drivers* with 51 registered public vehicles and 45 registered drivers. It has also timely completed the revision and publication of *Administrative Measures for Road Safety*, which further promoted the sense of relevant responsibilities. The management regulations on railway safety was newly added and the Company regularly conducted works in relation to the annual review on the *Road Operation License* of its public vehicles and strictly carried out "quarterly examination of freight vehicles" to ensure vehicle safety.

公司公车统计表				
单位	安全员、驾驶员	车辆号牌	备注	联系人、电话
株洲所总经办	彭国雄	湘H31484	安全车	李国雄 13807333218
	彭国雄	湘H31485	安全车	
	彭国雄	湘H31486	安全车	
	彭国雄	湘H31487	安全车	
	彭国雄	湘H31488	安全车	
株洲所运营管理部	彭国雄	湘H31489	安全车	李国雄 13807333218
	彭国雄	湘H31490	安全车	
时代电气总经办	彭国雄	湘H31491	安全车	李国雄 13807333218
	彭国雄	湘H31492	安全车	
	彭国雄	湘H31493	安全车	



- (3) **Diligently Perform Their Duties to Increase the Inherent Safety Level.** The Company regularly organized safety inspections of the operation conditions of its public vehicles and staff shuttle buses and made timely adjustment of shuttle bus schedules, routes and distributions. The new bus route from “Sansanyi” to “Tianxin Industrial Zone” has improved the utilization rate of buses, reduced management costs and solved the problems such as “difficulty in taking buses for the staff” in the operation of staff shuttle buses. Meanwhile, given the frequent occurrence of public vehicle-related accidents, the Company newly installed sound-activated cameras in the vehicles, regularly arranged sterilization for vehicles and standardized the requirement to post safety signs, which have effectively ensured the operation safety of shuttle buses.



7. Improvement of Contingency Plan to Enhance the Ability to Respond to Emergency Situation.

Based on the special working requirements of the *Integration System* of the Company, the Company has timely improved the *Contingency Plan of the Company* and established special working groups such as “Two Sessions”, “Safe Chinese New Year” and “September 18” based on the safety and security requirements of certain sensitive periods. The Company has clearly defined the respective responsibilities and tasks and formulated special working plans to strengthen the development of a link mechanism between departments, business units and Times’ properties (security) to maintain internal safety and stability.

Part III Environmental Protection

- (1) **Arrange More Drilling Exercises to Enhance Ability.** In terms of strengthening the development of response mechanism for emergencies, focusing on the optimization of security team as a part of Emergency Response Team management and raising the requirement for units' ability to handle mass disturbance (such as anti-terrorism and prevention of violence) by the higher authorities, the Company has organized "anti-terrorism and stabilization" drilling exercise for emergency response in different nature, area and time. These exercises have helped to make the emergency response system and procedures more scientific, reasonable and operational as well as strengthened the emergency response ability at first instance (within 5 minutes). The Company focused on "safety awareness, responsibility awareness, service awareness and emergency awareness" and consistently enhanced the supervision, guidance and assessment of the comprehensive governance and safety management of the entrusting party, thereby providing solid assurance and protection for the rapid development of the Company.



- (2) **Enhancement of Supervision to Enhance the "Self-protection and Self-help" Ability of All Units.** Taking the opportunity provided by the "November 9" activity which centered on "Identifying hidden safety risks to ensure household safety", the Company consistently optimized the development of the organizational structure of level 2 and level 3 units with a view to enhance the "self-protection and self-help" ability of all business units.



2.3 Formulation of Improvement Plans

1. Upholding the principle of “Person-in-charge is the Responsible Person”, “Safety and Prevention First with Comprehensive Governance” and taking the key work of the Company as its goal, the Company will consistently improve its infrastructure such as social management and comprehensive governance, organizational bodies, rules and regulations and step up its effort and increase the frequency of inspection. It will also develop a multi-level management accountability system (including related parties into the comprehensive governance and management system through agreements and responsibility commitments for supervision) so as to bring comprehensive governance and management to a higher level.
2. Based on the requirements of rapid development of its internationalization strategy, the Company will consistently uphold the national security management principles and policies of “National security must be placed above everything else” and “Tighten internal management while loosening external control” to enhance the education on national safety for cadre staff travelling abroad, increase their awareness and ability to observe and help to maintain national security by themselves, and protect the interest of both national security and the Company, thereby ensuring the personal safety of all staff.
3. The Company will continue to enhance the building of a comprehensive governance team and security teams, aiming to enhance the level of professional management in various aspects including “Fire service, Public order and National security” and increase the “independent handling” ability of the security team, so that it will achieve full enhancement of the management and service level of the management teams and their overall quality. Meanwhile, the Company will strictly implement various comprehensive governance management systems, which will lay a foundation for safeguarding the internal safety of the Company.
4. The Company will consistently promote the optimization of its emergency response management system by focusing on “functional drilling and specialized drilling” and development of special plans, with a view to enhance the overall management awareness and handling ability for emergencies and to ensure stable development of the Company.
5. The Company will further facilitate the communications with local comprehensive governance departments to keep itself timely informed of any unsafe and unstable conditions and give “good advice” to ensure the effective implementation of various comprehensive governance work of the Company with sufficient safety measures.
6. Other social management and comprehensive governance work.

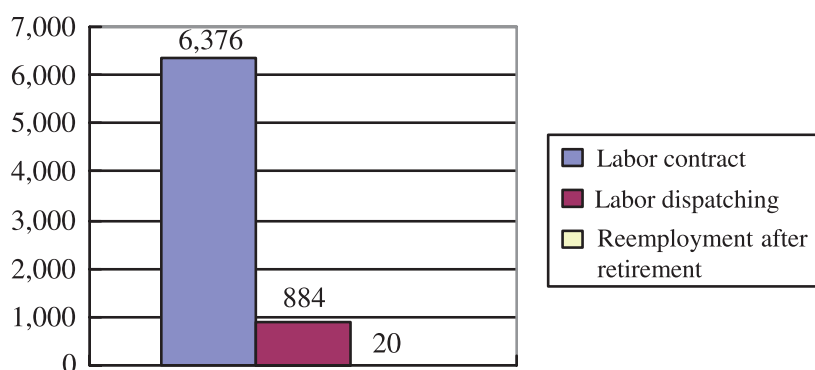
Part IV

Care for Staff

I. Our Staff

Staff is the valuable wealth of the Company and the foundation for the development of the Company. The Company will employ staff with strict compliance with the laws and will never harm the interests of employees. Meanwhile, the Company also pays close attention to the interests of staff and creates favorable working environment for them to contribute to the Company and achieve good development.

As at 31 December 2014, the Company has a total of 7280 employees



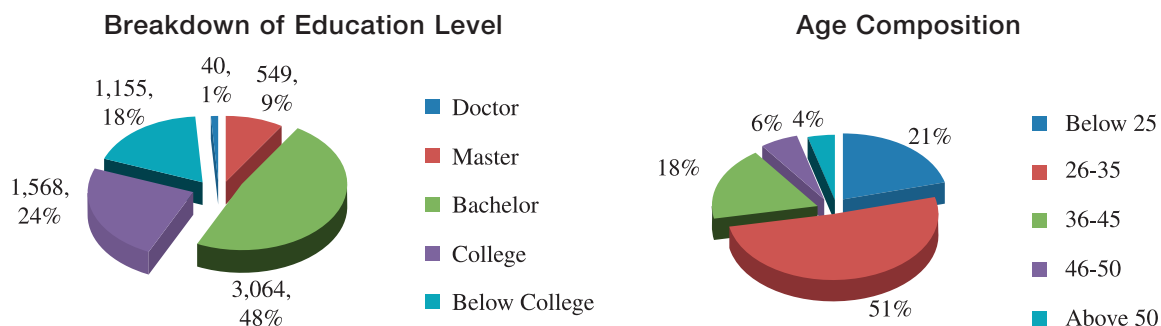
Note: The above statistics covers DYNEX but excludes Shiling and CSR Westinghouse.

1. Employment Diversity

1.1 Current Condition of Employees

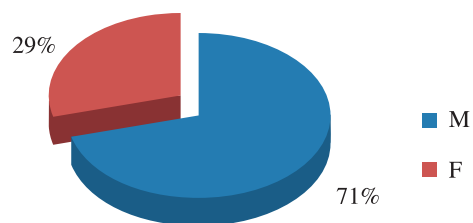
The Company continues to strengthen the optimization and management of human resources and strives to establish a dynamic and competent team with high academic qualifications, young age, advanced techniques and strong professional skills. Currently, the Company has recruited a number of talents possessing core expertise, technique as well as operation and management skills of the industry, which has laid the foundation for the Company's sustainable development.

The mobility of staff in the Company is low. Over the last three years, the employee turnover rate was controlled within 5%, as compared to 2.06% in 2014.

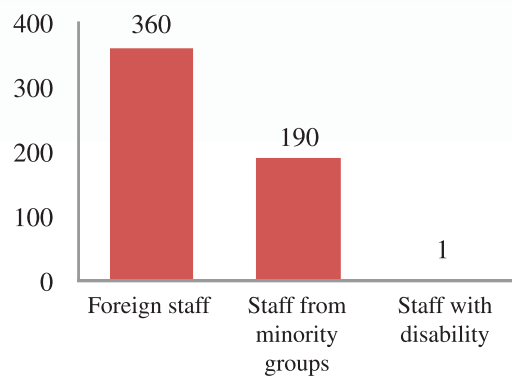


Part IV Care for Staff

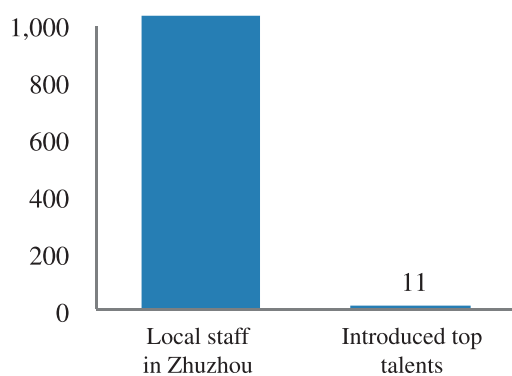
Gender Composition



Number of Staff from Foreign Countries, Minority Groups or with Disability



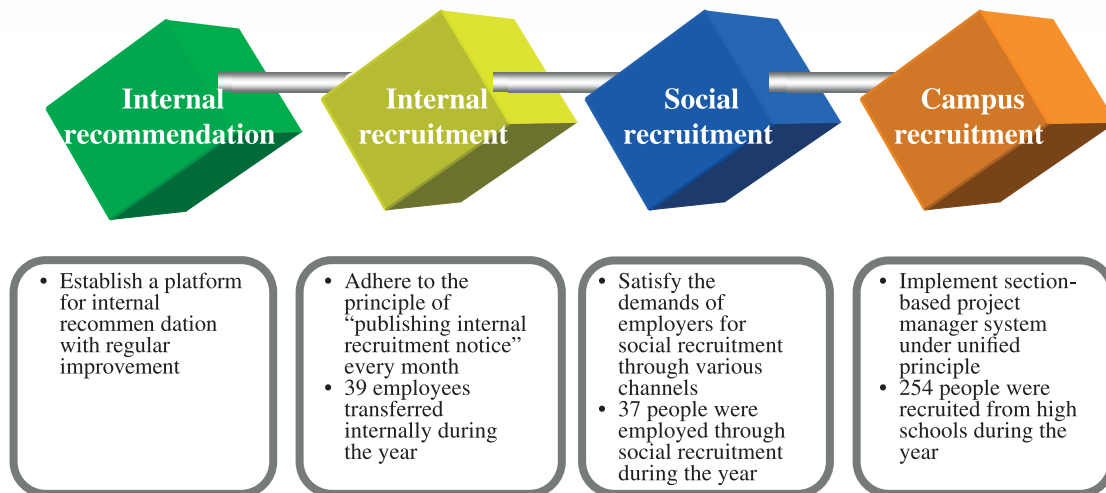
Local Staff in Zhuzhou and Introduced Top Talents



Part IV Care for Staff

1.2 Staff Recruitment

The Company has established various recruitment channels based on different needs of talents for various positions, including internal recommendation, internal recruitment, social recruitment and campus recruitment. The Company also introduced innovative measures to conduct recruitment of LGBT talents and overseas talents, which will provide the Company with talents supporting its major industrial development.



2. Staff Salary and Benefits

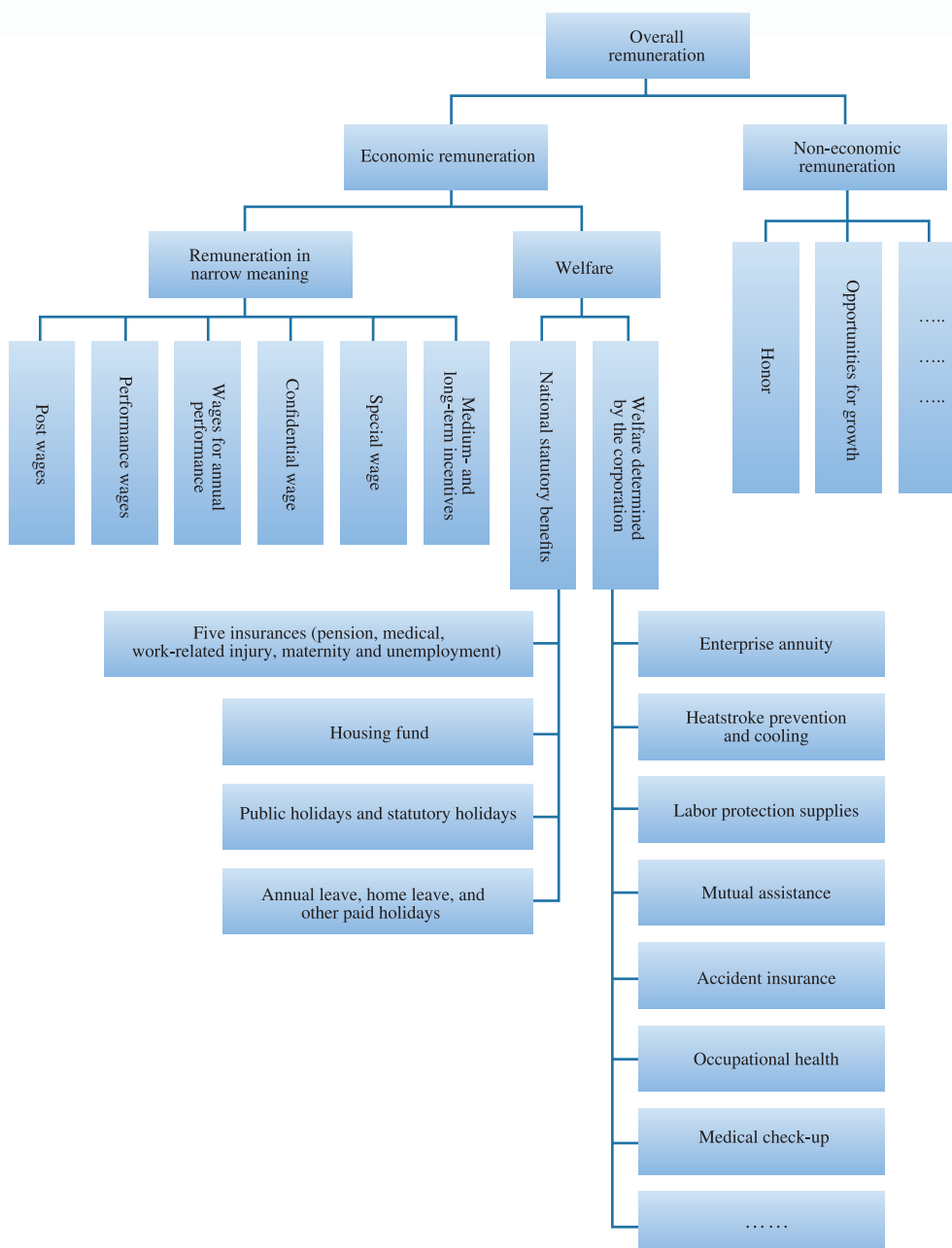
The Company adheres to the principle to put efficiency as top priority while giving consideration to fairness and equality, and builds a salary system which links salary with position, capability and performance. As compared to the original salary system, the new salary system clarifies various factors in determining the salary, designs different proportions of salary points based on different career development paths, clarifies specific contents and methods of salary assessment and adjustment, and strengthens the concept of performance-based salary.

In accordance with the requirements of national laws, regulations and related policies, the Company provides and maintains statutory benefits for its staff, including basic pension insurance, basic medical insurance (including medical insurance for serious illness), work injury insurance, maternity insurance, unemployment insurance and housing fund, etc. It also provides the staff with various benefits determined by the corporation, including enterprise annuities, lunch subsidies, labor protection, holiday supplies, physical check-up, recuperation, transportation and communication subsidies, mutual assistance, accident insurance for one-child families, etc.

Staff is entitled to day-off on public holidays, wedding leave, funeral leave and maternity leave. In addition, they are entitled to an annual leave according to national *Regulations on Paid Annual Leave and Implementation Measures for Paid Annual Leave for Corporate Employees*.

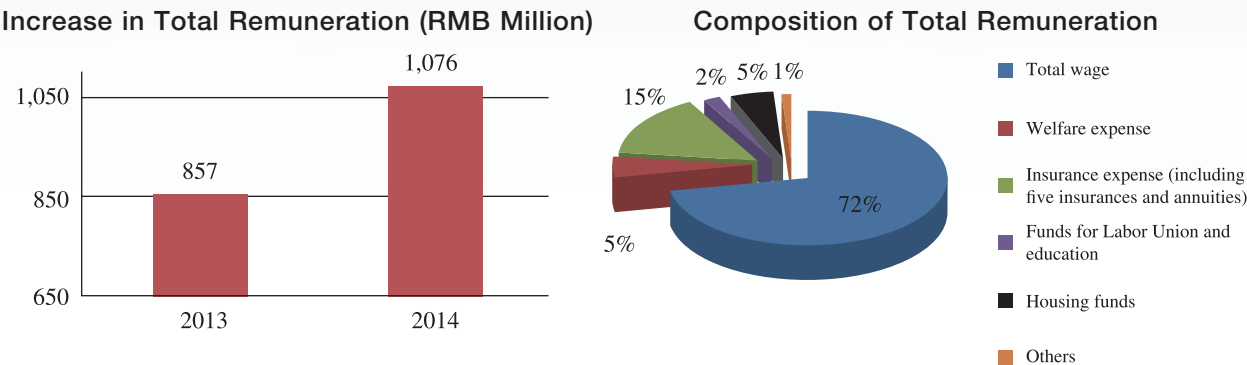
Part IV Care for Staff

The Company has promoted the concept of overall remuneration since 2007. The Company has extended the concept of remuneration to include welfare and other non-economic rewards such as career development, job interest, etc. Accordingly, the staff can have a comprehensive understanding of the returns given by the Company and thus enhances the incentive provided to the employees in form of remuneration.



Part IV Care for Staff

Increase in and Composition of Total Remuneration (Wages and Surcharges)



II. Training and Development

1. Staff Training and Management

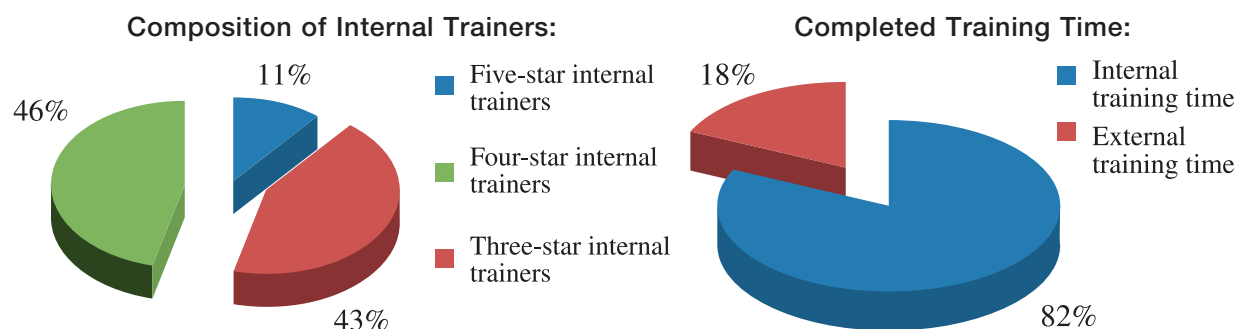


Based on the extensive survey and study on the needs of training and the analysis on different demands of training varying from development strategies, sector operations to staff career development, the Human Resources Department of the Company actively deploys its resources and carries out multilevel training in different forms and aspects by employing internal and external lecturers, sending and inviting professionals.

For training management and system development, the Human Resources Department continues to introduce new policies and strengthen the monitoring and benchmarking of training plans to ensure the implementation of training projects at the organizational level. It also designs the learning maps from the perspective of position, capability and career development. This, integrating with resources from both internal and external programs, has helped to enhance the motivation, ability and perseverance of staff in learning and provided goals and directions for their training.

The Company's internal trainer team continues to grow and realizes dynamic management through selection and assessment. The Company currently has 236 internal trainers, including 109 three-star internal trainers, 102 four-star internal trainers and 25 five-star internal trainers. To fully activate resources for internal training and create a learning atmosphere of "adept at learning and willing to share", the Human Resources Department of the Company developed two pioneer communication platforms for internal training in 2013, which were "Happy Classroom" and "Expert Forum", respectively. The two platforms share the concepts of "Willing to learn, to talk and to enjoy life" and "Professions, Concentration and Sharing". A series of premium courses totaling over 40 programs were launched in the past two years, including "Mind maps", "Making a convincing PPT", "Cross-cultural communication" and "Serial Programs on software development", etc. More than 3,000 staff have received such trainings and over 90% of them were satisfied with the programs. This has significantly increased the recognition of staff on internal trainers and their work and lifted internal training to a higher level.

In 2014, the Company's total investment in training was about RMB 7,420,000. The Company completed training time of 241141 hours in total and training time per capita was 58.1 hours, of which internal and external training time accounted for 82% and 18%, respectively. 4111 training projects were completed, and the implementation rate of the Company's annual training plan was 93.7%.



2. Case Studies

The Company planned and organized various training projects, including "Serial Trainings for Professional Manager on Leadership Enhancement", "Serial Trainings for Reserve Management Talents", "Training of Facilitator Team for the Construction of a Learning Organization", "Special Training on Project Management", "Talents Training for Core Members and Junior Staff in Manufacturing Centers", "Trainings for Reserve Talents in Times Electronics", "Trainings for Reserve Talents in Ningbo Times" and "Serial Trainings for Marketing Staff", etc.

In 2014, relevant staff were arranged to complete the theme selection for graduation project of the "engineering master class" of College of Electrical Engineering, Zhejiang University.

The Company actively arranged relevant staff to participate in various special trainings organized by CSR and CSR Zhuzhou Institute, including "Formosa Plastic Training for Comprehensive Management of CSR", "Training of Leadership Development for CSR", "Training for Core Technical Talents (Germany)", "Training for Core Technical Talents (Korea)" and "Ability and Quality Training for Job Foreman", etc.

Part IV Care for Staff

III. Health and Safety

1. Safety Objective and Index Control

The Company insists on people-oriented principles and promotes safety development. It carefully implements the safety management system of “Party and Government Share the Same Responsibility and One Position with Dual Responsibility”. It also strictly implements accountability system for safe production and the “Responsibility Commitments on Management of Safety Objectives” are signed between all units to distribute safety indexes and pass safety pressure to each level, with a view to achieve safety management involving all staff from every aspects in the whole process. In 2014, the Company had no staff that was killed or heavily injured in an accident or newly suffered from occupational disease which would lead to the liability of the Company and thus achieved the target of “Three Zeros” during the year. There were three accidents that led to minor injuries during the year. In 2014, the Company was awarded “Advanced Unit for Safe Production” and “Advanced Unit for Objective Management of Occupational Health” in Zhuzhou City.

2. Occupational Health and Safety Management System

In 2014, through process control measures such as the acquisition/identification/compliance appraisal/publicity of laws and regulations concerning occupational health and safety, identification/appraisal and control of hazards, implementation of EHS management programs, internal audit, supervision audit and management appraisal at the two-level EHS system, the Company enhanced its EHS self-control capacity, continuously improved the operation performance of EHS management system and passed the supervision audit of the OHSAS18001 management system and the authentication certificates of the system remains valid accordingly.



OHSAS18001 Certificate of Occupational and Health Safety Management System

3. Establishment of Safety Management Team

In 2014, the Company stepped up its effort in establishing Safety Management Team by: 1) Enhancing the safety awareness of the cadres of middle level or above through training. The units under the organization is responsible for ensuring 100% certified discharge of job duties by sending the relevant safety supervisors to attend the exchange campaigns of safety management in certain enterprises with advanced safety management and to learn the advanced safety management modes and means; as well as organizing the training on safety qualification for the cadres of middle level or above. 2) Focusing on the training of safety management officers, namely the professional knowledge training on safe production standardization, the skill enhancement certified training on assessment skill of occupational health and safety management system internal controllers, and the pre-examination training for registered safety engineers. As such, the Company can cultivate the mainstay of safety management by awarding the staff members who have passed the registered safety examination. 3) Strengthening the safety training of fundamental staff. Team foremen are arranged with training of safety qualification to ensure 100% certified discharge of job duties. Through the diversified safety training programs, currently there are 44 State-registered safety engineers, 67 EHS system internal auditors, 61 standardized safe production professionals, 68 safety management officers with Safety Management Qualification Certificate and 130 team foremen with Safety Training Qualification Certificate in the Company, and they formed a versatile and professional safety management team.

Summary Statement of 2014 Safety Trainings

No.	Training Mode	Trainee (Attendance)
1	"3-Tier" Safety Training for Newcomers	608
2	Certified (Review) Training for Specialized (Equipment) Operators	1,314
3	Training for Safety Management Officers	61
4	Safety Training for Officers-in-charge of Enterprises	68
5	Safety Training for Cadres of Middle level or Above	107
6	Safety Training for Shift of Positions	37
7	Work Resuming Safety Training	21
8	Safety Training for Team Foremen	130
9	"Four new" Techniques Safety Training	536
10	Occupational Health Training	517
11	Safety Training for All Staff Members	5,607
12	Auditing Skill Enhancement Training for EHS Internal Auditors	40
13	Other Safety Training	1,836
14	Total	10,924

Part IV Care for Staff

4. Practising Fundamental Safety Management

In 2014, the Company actively promoted the concept of safe workplace construction by: formulating promotional campaigns, establishing the promotional department, defining the detailed content of work, launching improved safe workplace exchange, adopting division of labours and compiling various work logs and lists. With various work logs and lists such as "Safe Workplace Specific Allocation Diagram and Key Precautions", "Workplace Safety Management Checklist", "Workplace Safety Calendar and Rectified Safety Loophole Records", visual safety inspection and management was performed. Further, the Company enhanced the on-site workplace safety management through the implementation of safety objective management and means including the daily inspection of operators and foremen, the semi-weekly inspection of the chief regional officer, the weekly inspection of the safety controllers and the bi-weekly inspection of the assistant general manager. As at the end of year 2014, all of the 150 improved safe workplaces of the Company reached the standard. Through promoting the safe workplace concept, the Company achieved fundamental safety management, which is simple, under visual control, standardized, systematic and becoming routine. It did not only refine the fundamental safety management structure, but also laid a solid foundation on safety to enhance the fundamental safety management standard.

5. Investment in Safety Projects and Vigorously Launching Risk Elimination and Rectification against Safety Loopholes

Safety risks have to be eliminated to avoid accidents. The Company regularly conducts risk elimination and rectification against safety loopholes pursuant to its safe production standardization rules. With the principle of "Regular and Random, Specific and General, Self-check and Sampling check", every safety check is well-planned with execution and record, and a relatively complete and standardized safety check mechanism is thus formed. In 2014, the Company launched 4 comprehensive safety checks, 12 specific safety checks, 2 holiday safety checks and identified 461 safety loopholes. Meanwhile, various business units under the Company also carried out safety checks. 347 safety checks were performed at the business unit level throughout the year with 1430 safety loopholes identified. During the year, the Company invested RMB 21,514,200 in equipping staff with protective articles, offering them health allowance, rectifying on-site safety loopholes and constantly improving the on-site operating environment, so as to enhance on-site intrinsic safety. Safety checks and investment in safety projects of the year are summarized in the following tables:

Summary of Safety Checks in 2014

No.	Unit	Number of Check	Number of Safety Loophole	Number of Rectified Loophole	Completion Rate of Rectification
1	Company-level Safety Check	18	461	461	100.0%
2	Business Unit-level Safety Check	347	1,430	1,430	100.0%

Investment in Safety Projects in 2014

No.	Investment in Major Safety Projects	Investment (RMB 10,000)
1	Improve the intrinsic safety of the testing equipment in the manufacturing centre to eliminate the safety loophole caused to the surroundings during module testing	15.6
2	Improve the intrinsic safety of the testing equipment in the inspection and test centre to reduce the electric shock risk of the inspectors.	16.5
3	Improve the operational safety of the laboratory in the inspection and test centre to reduce the electric shock risk of the inspectors.	10.7
4	Increase the number of removable guardrails and the corresponding warning signs in the inspection and test centre of Hexi laboratory to enhance the operational safety of the laboratory.	1
5	Improve the temperature and humidity regulating abilities of the workshop of Printed Circuit Department to improve the temperature and humidity regulation and guarantee good ventilation in the workplaces.	259.2
6	Equip staff with protective articles and offer them health allowance	1,568.45
7	Other expenses relating to safe production	279.97
8	Total	2,151.42

Part IV Care for Staff

6. Refining the Occupational Health Program to Protect the Health of Staff at Work

First, the Company convened thematic sessions for occupational health management to thoroughly sort out the locations of occupational hazards and operators exposed to occupational hazards of each unit. It also served to finalize the annual occupational health check plan and on-site occupational hazards inspection plan and refine and standardize occupational health management. Second, the Company inspected 147 sites with occupational hazards, such as noise, benzene series, acid (alkali), acetone, dust, etc., and the compliance rate was 96.6%, offering grounds for subsequent operational environmental remedies and protective measures for labour. Third, the Company organized health check sessions for operators exposed to occupational hazards during their employment. In 2014, the Company carried out occupational health check sessions for 608 operators exposed to occupational hazards, of which 563 underwent the health check during the period when they had taken up the role, 18 were before taking up the role and 27 were after leaving the role. The Company also deployed those with occupational contraindication away from their original post to prevent occupational diseases. Fourth, the Company organized a quiz campaign of the prevention of occupational diseases. During the promotional week of the occupational diseases prevention, the Company invited more than 400 staff members to participate in the quiz campaign of the prevention of occupational diseases to provide them with knowledge on occupational health and raise their self-protecting awareness. Fifth, the Company completed the reporting of occupational hazard factors for the year 2014.

IV. Interests of staff

1. Effectively Practicing the Worker's Congress System to Exercise Workers' Rights

As the basic form of where enterprises implement democratic management, Workers' Congress is an authority for workers to exercise the power of democratic management in accordance with provisions of laws. Based on the principle of democratic centralism, the Company builds the Workers' Congress system in accordance with relevant stipulations under *Trade Union Law*.

Council of Labor Union is the operating authority of Workers' Congress and it is responsible for the daily work of Workers' Congress. The 150 existing staff representatives were elected from cadres (staff) in various departments (units), involving the personnel in the Company's management, technology, production and marketing. The Workers' Congress system has strengthened the Company's democratic management, guaranteed staff to exercise the rights of democratic management according to the law, fully displayed staff's initiative and creativity, and advanced effective improvement of enterprise quality and economic benefits.



2. Staff's Rationalization and Feedback Mechanism

To continuously increase its competitiveness and establish a harmonious labor relationship, the Company actively expanded the democratic channel, employed staff's initiative and creativity, and effectively exploited resource potentialities. In 2014, the Company accepted 10,523 reasonable suggestions from its staff. The acceptance rate of reasonable suggestions from its staff was 100%.

1. Set up "leadership reception day" system. The Company's leaders meet with fundamental staff regularly every week, listen to their suggestions, and offer replies and solutions on the spot.
2. Set up online staff hotlines. The Company's general manager and secretary of the Party committee listen to staff's suggestions and opinions on their concerned issues through online communication in Youth Forum. There were 148 suggestions from staff that were replied throughout the year.
3. Set up contact sites for public opinions to serve fundamental staff. The branch president serves as the liaison officer of the unit for public opinions, establishes the fundamental labor union covering the Company's overall system, with focused communication and liaison stations for the fundamental staff to deeply understand the staff's concerns, recommendations and requests.

Part IV Care for Staff

4. By establishing a points award platform, the Company implements points award management system, where fundamental staff with reasonable suggestions will be awarded, so as to encourage and guide staff to actively participate in management innovation and production quality improvement in the Company. In 2014, the Company received 8963 suggestions about improvement.
5. The Company's leaders insist on visiting the fundamental level of operation monthly. In 2014, the Company held 18 seminars for the fundamental staff to gather their opinions on corporate development, individual career development, welfare, etc. Relevant units (departments) were designated to solve problems in response to staff's suggestions in a practical manner and offered 472 replies.

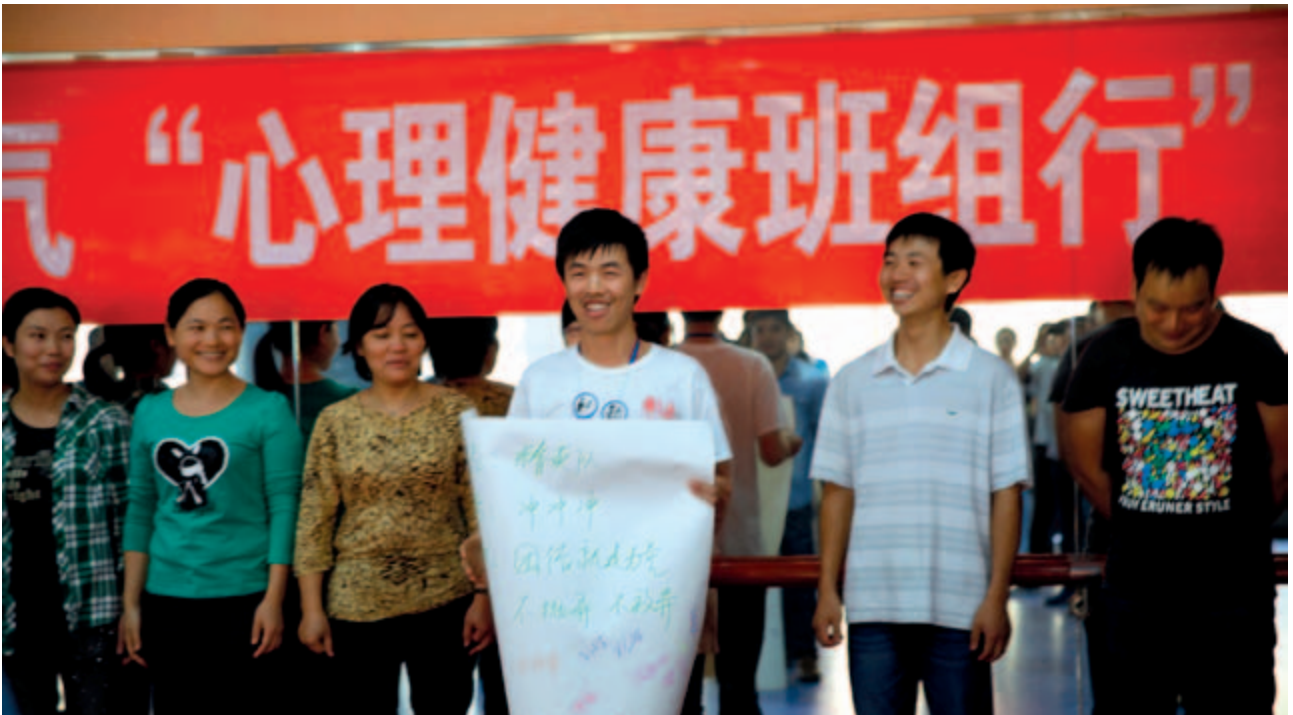


3. Concerning Staff's Mental Health and Launching Various Relevant Activities

Leveraging the functions of a labor union in the Company's production and operation, the branch labor union of CSR Times Electric launched "Mental health consultation" campaign for staff to contribute to the Company's growth with more passion and higher morale, realizing the cultural concept of "happy work and healthy life" and grow with the Company.

1. The Company vigorously builds mental health consultant teams and has consistently been organizing certain training and certified examinations on mental consultants for the core personnels of the labor union and human resources department to participate in to increase their knowledge of mental health as well as counselling skills along with cadres management through theoretical studies and enhancing human caring, counselling and caring services for the staff accordingly. The Company effectively promotes the efforts in mental health counselling to promote the harmonious relationship between the staff and the enterprise. Also, the Company organizes some mental-health practices such as team counselling and invites the first batch of national level 2 mental consultant representatives who served as tutors therein in order to train up the mental consultation professionals within the Company as talents bank.

2. The Company organized a group counseling event called 'Mental Health Working Team'. More than 100 frontline employees from five departments including the Manufacturing Center and Semi-conductor Business Department carried out various theme activities under guidance of the counselors, such as Ice-breaking, Group Demonstration, Decisions on a Sinking Ship, Frog Diving and Noah's Ark. These games and activities helped to strengthen staff abilities in adapting to environment, interpersonal communication and team cooperation. The employees may also actively explore their inner souls and relieve pressure through interactions and sharing, which may in turn facilitate their spiritual growth.



Part IV Care for Staff

4. Paying Attention to Staff's Physical and Mental Development by Organizing Medical Checkup and Treatments

In 2014, the Company organized medical checkup for 4,316 employees in total. The total amount spent on the medical checkup amounted to RMB 1,862,487, which marked the highest number of employees participating in medical examination ever. During the medical checkup, the Company strived to protect the interests of its employees and timely solve the problems arising in the process. With concern over employees' physical health, the Company supervised and urged the hospitals to conduct statistical analysis on the medical examination results for its reference.

5. Paying Attention to Staff's Harmonious Development Both Physically and Mentally by Organizing Diversified Events

1. Continue to Carry Out Activities under the Theme of 'Four Seasons of Fulltime Housewives'

The Company held a cooking competition called "Love your home, Love your lives" for its staff. The competition was conducted in forms of online poll of gourmet and cuisine, live cooking competition and top chef contest, featuring different sections such as team demonstration, cooking skill demonstration and creative cuisine, etc. Various subordinate departments (units) were also organized activities such as decorative window carving, ribbon embroidery, calligraphy competition and tug of war.



2. Comprehensively Launched a Series of Activities of 'Woman Workers Academy' under the Theme of 'Focus on Enhancement of Quality, Lay Stress on Mental Health, Emphasize Knowledge and Learning and Manifest Elegance of Woman Workers'

The Company has currently developed programs such as physical and psychological wellness for women and children education. These programs aim to provide a platform to all female staff for their self-learning, self-development and self-cultivation, at the same time maintaining both physical and mental health and facilitate their harmonious development both physically and mentally, so that they can be successful in both family and career by demonstrating self-esteem, confidence, the ability to live independently and spirit of self-reliance.



Part IV Care for Staff

3. Continue to Organize Activities for Yoga Association

The Yoga Association was founded by the labor union branch of CSR Times Electric and has already been operating for three years. The association provides targeted and special yoga classes in the form of welfare, and was operated under a membership system with autonomous management, which served as a warm platform for all female employees to take good care of their body and mind.



4. Further Implementation of Cultural Organization System from Key Areas to all Regions under the Theme of ‘Culture will Bring Energy Together, Thoughts will Lead the Way to Future’, with a View to Provide Diversified Recreational and Sports Activities to our Staff and Bring Together Their Vitality

The Company held a series of activities under the theme of “Dream of China, Passion of CSR Institute, Beauty of Workers”, including staff photo competition and writing competition named “Snapshot of workers, Praise for workers, Secure foothold at grass-roots level, Facilitate the achievement of RMB 10 billion target”. The Company also stepped up its efforts in promoting the three major organizations (clubs), namely basketball, football and volleyball.

劳动摄影作品展示

专业类



一等奖：《严谨》
作者：半导体事业部 田水军



二等奖：《专注》
作者：通信信号事业部 梁远煊



三等奖：《驾轻就熟》
作者：制造中心 伍云梅



三等奖：《热火朝天》
作者：通信信号事业部 李辉



三等奖：《为青奥护航》
作者：售后服务中心 秦超



优秀奖：《弹指间》
作者：技术中心 曹文静



优秀奖：《莫斯科的展会》
作者：海外事业部 刘芳



优秀奖：《网试》
作者：通信信号事业部 李钢刚

Part IV Care for Staff





Part IV Care for Staff

6. Build Up Corporate Culture to Achieve Comprehensive Enhancement on Staff's Image and Quality

In 2014, the Company organized regular thematic activities such as "The Second Corporate Culture Festival of CRS Times Electric", "Further Promotion of a Culture of Quality" and "Promotion of 'Strive for Success' Culture", with a view to cultivate our corporate culture and enhance our staff's image and quality.





7. Cultivating Learning Behavior and Expertise among Employees by Promoting the Company to Become a Learning Organization

The Company organized a CSR Times Electric Reading Festival under the theme of "Reading with CSR Times Electric". The one-month festival attracted about 1,500 participants to participate in the three categories of activities. More than 12,000 books were sold in total. We have also received 78 handwritten drafts from "My Reading Story", a book review writing competition. All the above activities have helped to transform the Company into a learning organization.

Part V

Social Harmony

I. Supplier Management

1. Major Measures for Supplier Management

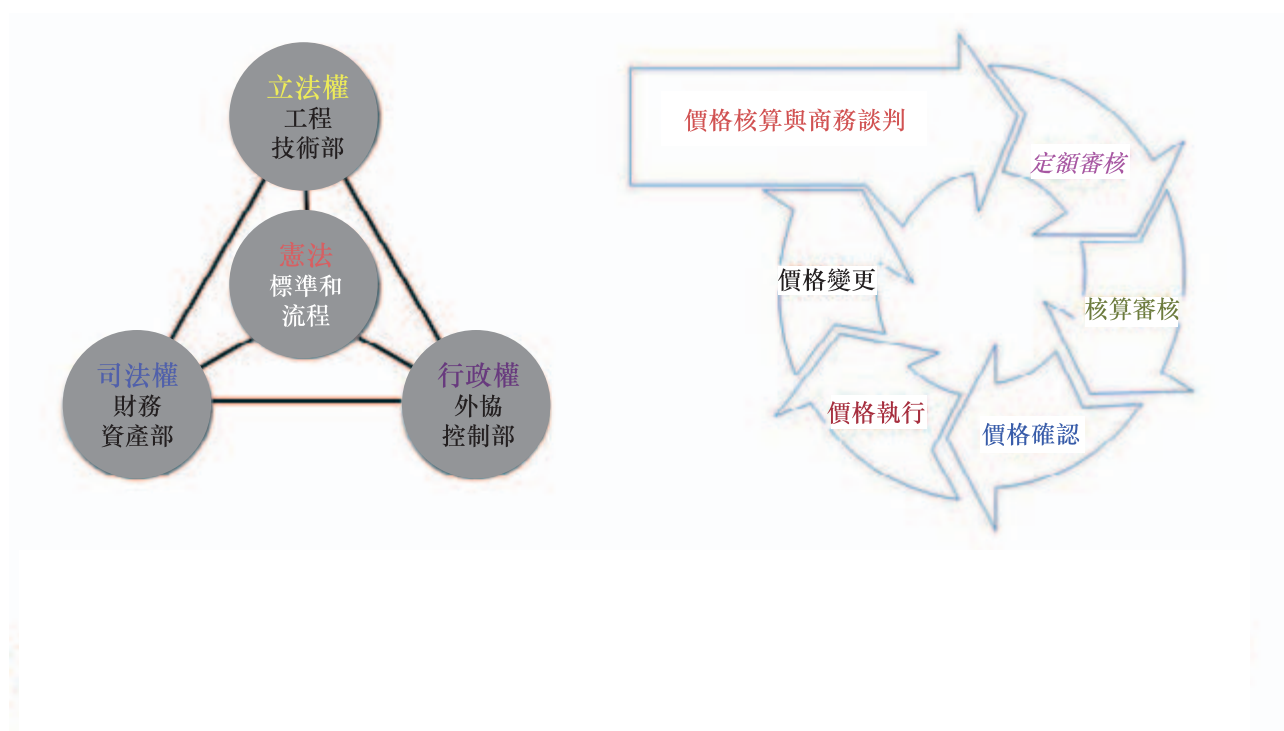
1. Choosing suppliers based on a guideline that such suppliers will be in line with the future development of the Company.
2. Holding regular quarterly business communications with key strategic suppliers to promote mutual improvement.
3. Assigning quality engineers and quality inspectors to suppliers with frequent quality problems for on-site supervision on manufacturing to improve the quality management standard of such suppliers.
4. Promoting and publicizing electronic acceptance draft to lower the financial costs of the suppliers.
5. Holding VMI communications with suppliers to lift the standard of supply chain control and facilitate reduction of supply costs of the suppliers.
6. Holding annual suppliers' conference to intensify suppliers' relationship management.
7. Classifying suppliers into three classes: strategic, important and general according to their importance; evaluating strategic suppliers on a quarterly basis and important suppliers on a semiannual basis.
8. Establishing a monthly reporting mechanism with respect to information of key suppliers to urge them to improve quality control standard.
9. In order to increase the response speed of suppliers, reduce management costs and ensure safety in material supply, the Company has consistently commenced integration of supply resources. According to the annual evaluation of suppliers, the Company removed 69 suppliers. As for suppliers with supply problems, the Company brought together its personnels who are responsible for design and quality to identify technological requirements of materials and completed the works such as finding the supply sources, developing new materials and on-site verification to achieve replacement of materials or channel switch. The Company removed 15 suppliers and issued *Guidelines for Integration of Suppliers* to provide a basis and guidance for subsequent supplier integrations.

2. Support to Supplier

The Company's social responsibility lies in not only raising its own corporate social responsibility but also driving continuous development and enhancement of such responsibilities of the whole supply chain to encourage and support suppliers to become enterprises with a sense of social responsibility. The Company established a strategic alliance with suppliers in long-term cooperation and formulated codes of conduct for suppliers and required suppliers to establish effective management systems. The Company organizes trainings and on-site learning and experience sharing on market, technology and management for suppliers. The Company organizes special support teams and expert groups to provide technical innovation, quality control, cost management and control, production management, etc. for domestic suppliers with weaker strength, and leads them to grow with the Company and make contributions to society together.

2.1 Standardized and Clearly Defined System to Enhance Strength

The Company has prepared the *Management Measures for Outsourcing Suppliers Access Qualification*, which required outsourcing suppliers to possess complete techniques and quality warranty system. It also formulated *Management Measures for Outsourcing Suppliers Evaluation* to standardize quality problems and handling processes, defined personnel management and business morality requirements, and established a complete and scientific price auditing system. The Company prepared numerous measures on standardized price management and control procedures such as *Management Measures for Pricing Outsourcing Products*, *Management Measures for Formulating Price Standards*, *Management Measures for Business Negotiation Process* and *Annual Price Harness Agreement*. The Company provided guidance on cost management and control through seven major measures, including detailed price auditing, diversified model for purchasing and pricing, innovative evaluation system of supplier's credibility on business quotation, cost control during the entire process of the projects, procuring suppliers to make joint purchase and building strategic supply chain.



1. Leaders — review and approval of pricing standards and management measures;
2. Engineering and Technical Department — providing service on the basis of working hours and fixed fee;
3. Finance and Asset Department — reviewing fee rates and auditing;
4. Development Group in Outsourcing Control Department — auditing and negotiation;
5. Purchasing Group in Outsourcing Control Department — price enquiry and enforcement.

Part V Social Harmony

2.2 Local Purchase Brings Regional Economic Development

By the end of 2014, the number of our local suppliers in Zhuzhou was 56. Among them the suppliers in bigger scale include Zhuzhou Shiling Traffic Equipment Co., Ltd., CSR Zhuzhou Electric Motor Company Limited, Zhuzhou CSR Electric Technology Co., Ltd., Zhuzhou CSR Jihong Heat Dissipating Technology Co., Ltd., Zhuzhou Times Electronic Technology Co., Ltd, Engine Branch of CSR Zhuzhou Electric Locomotive Co., Ltd., Zhuzhou Huacheng Technology Enterprise Co., Ltd. and Zhuzhou Hongwei Industrial and Trade Co., Ltd.

For purchase of outsourced parts, priority is given to local suppliers. Based on total purchase price, Zhuzhou City accounted for 85%, Chang-Zhu-Tan economic zone accounted for 95% and Hunan Province accounted for 98%. This has resulted in increase of employment numbers and enhanced production capacity of the outsourcing factories and promoted local economic development. For example, metal plate suppliers such as Zhuzhou Riwang Precision Machining Co., Ltd., Zhuzhou Times Metal Manufacturing Co., Ltd. and Zhuzhou Huaxin Industry Co., Ltd. reached an output of over RMB 450 million in 2014 and more than 2,000 people were employed. After providing support on technology, personnel and production management to Xiangtan Times Harness Co., Ltd from scratch, the Company achieved an output of more than RMB 200 million and offered more than 200 job positions in 2014.

2.3 Process Control Promotes Quality Improvement of Outsourced Parts

The Company carried out process reviews for key outsourced products: in 2014 eight process reviews were done for key outsourced products, 142 problems were discovered and rectified, and 82 second on-site random inspection closed loops were organized for problems discovered. This has effectively promoted improvement of outsourced products and construction of quality system.

2.4 Technical Support Ensures Improvement of Techniques and Ability

The Company conducted regular inspection on the techniques of outsourcing factories, rectified their technical process in time, discussed and communicated with the factories on common technical problems and jointly formulated precautions to ensure controllable process and steady improvement of product quality. The Company also pushed forward and organized suppliers to carry out lots of trainings about welding theories, practices and examinations, and 8 international welding engineers and more than 400 international welders have been trained, the overall welding skills of welders within Zhuzhou have been enhanced. For urgent, big, difficult and complex problems in the process of outsourcing production, the Company assigned expert teams to resolve them, and through a great deal of technical testing verification, it optimized and strengthened machining techniques, and enhanced suppliers' technical capacity, machining quality and production efficiency.

名称	外协供应质量优化					
目标	协助外协厂提高城轨外协物料供应准时率和送检合格率，确保城轨外协物料供应合格率≥90%，实现城轨箱体类外协关键物料可免检入厂。					
序号	工作任务	细分工作项	计划输出/对标标准	责任人	参与人	1
1	课题组织管理			沈建宏		●
1.1		实施项目启动、项目定义	启动会议、目标立项	郑伟	课题组全体成员	●
1.2		基础数据收集、课题制定、计划编制、目标制定等	项目计划、项目课题、数据监控模板、过程评估资料等	沈建宏	李维平、袁翔	
1.3		搭建外协供应质量评估信息的监控、传递机制及体系	月度数据监控模板	沈建宏	胡晓明、李维平	
1.4		促进协助外协厂方按课题组建相应团队，实施督促、培训、扶持工作	外协厂方改善课题团队，培训、扶持	李维平	袁翔、沈建宏	
1.5		周工作总结，问题计划修正，周数据汇报	周例会、周报	沈建宏	周相关工作人员	
1.6		月度执行汇报、课题总结，数据分析及效果评估	月度小结	沈建宏	李维平、袁翔	
1.7		过程诊断，课题补充，计划修订	诊断分析报告	沈建宏	李昌龙、李维平、袁翔、郑伟	
2	计划准确性提升		送点收及时率≥95%	李维平		
2.1		月度城轨外协物料需求计划按物料清单精确至日排程	城轨外协物料月度需求日计划	胡晓明	李维平	
2.2		外协厂逐页要求时间月度计划	城轨外协物料月度点收日计划	李维平		
2.3		实施及时的计划可执行性反馈	反馈外协能力，协调月度生产排程	李维平	胡晓明	
2.4		协助外协厂形成月度生产交付排程日计划	外协厂月度生产排程交付日计划	李维平		
2.5		促使外协厂搭建项目内部信息传递工作组	项目工作组信息传递共享	李维平		
2.6		协助统计固化外协厂常规产品的生产周期需求	各常规产品生产周期需求	李维平	沈建宏	
2.7		促使外协厂实施生产计划日对标	送点收及时率≥95%	李维平		
2.8		在箱体达成持续2个月保持“外协返厂返工率”≤5%的条件后，取消箱体来料检查环节	达成关键物料来料免检直通现场	李维平	袁翔	
2.9		系统信息动态更新及同步共享功能实现		沈建宏	胡晓明、李维平	
3	质量可靠性提升		质量合格率≥95%	袁翔		

Part V Social Harmony

II. Public Charity

In 2014, the Company actively underwent activities of various themes of social responsibility devotion such as social assistance and support, student subsidy and environmental protection to repay society gratefully and actively perform the Company's social responsibility.

1. “Heart-warming”, Cooling and Autumn Schooling Aid Activities

The Company upheld the aim of expanding the channel of caring the staff and increasing happiness index of the staff and serving grass root employees wholeheartedly, and saw caring, helping and treasuring our staff as the top priority with our determined efforts. The Company has been organizing the activity of “Giving warmth in winter and coolness in summer and care in all seasons”. The main service targets of such activity are frontline staff at production line, staff at service sites, staff for on-site production testing and installation, staff in the Company's safety prevention sites and other staff members working under high temperature and the four steps are taken of “collecting investigation and research results, reaching out to the grass roots, focusing on implementation and listening to feedbacks”. The Company formulated 2014 Activity Schemes of Giving Coolness to the Laborers in hot summer and warm up their hearts with love”. The activity donated heatstroke preventive materials worth of RMB 229,700 and heatstroke preventive facilities worth of RMB 43,000. The Company visited a total of 2,735 employees working at sites under high temperature to give them “coolness in summer” comforts. Through the activities such as “giving comforts, safety, culture and coolness”, the Company offered the staff with a cool sky and timely passed care and love to its staff.



Part V Social Harmony

The Company instructed union branch to carry out the heart-warming activities, which rapidly met the actual needs of relevant staff. The leaders of the Company visited the families of the employees in huge difficulties in person separately and gave them comforts. The leaders understood the difficulties and needs in work and life of those employees by wholeheartedly listening to their words and making efforts to solve their practical problems and difficulties. In 2014, the Company visited a total of 92 employees in difficulties and granted subsidies at a total amount of RMB 148,000 and applied the autumn schooling aid of RMB 31,500 for 15 employees.



2. Organization of Serial Activities at “Social Responsibility” Dedication Month

To further practise the youth mission and responsibility of serving the enterprise and making contributions to the society, promote Lei Feng Sprit, guide the youth to participate in public welfare activities, strengthen popularity of the harmonious idea of “dedication and mutual help”, CSR Times Electric has been consistently organizing serial activities at “social responsibility dedication month”, including the following four aspects:

Part V Social Harmony

1) Advocating Activity of Smiling Services



2) Participate in Large-scale Charity Event “Tree-planting for Green Zhuzhou” in Zhuzhou City

On 15 March 2014, CSR Times Electric arranged around 150 volunteers to participate in the large-scale charity event “Tree-planting for Green Zhuzhou” organized by the Zhuzhou City Bureau of Landscape and Forestry, to further accomplish the mission and responsibility of the youth to contribute to the society through practice in environmental protection and haze control. The event was a valuable opportunity for the staff, who are usually busy at their work, to be close to the nature and experience the fun of tree-planting. It was also a commitment to take green life, low-carbon and environmental protection into practice.



Part V Social Harmony

3) Commencement of “Seeking Lei Feng by My Side” Event

The event has discovered a total of 41 “Lei Feng” around. Every one of them contributed silently in daily work and life and found pleasure in helping others consistently and continuously. Results of the event were published through various channels including Weixin and youth forums with a view to carry forward the spirit of dedication and receive pleasure by doing good deeds.



4) Enthusiastic Participation of All Subordinate Business Units in the “Dedication Month” Activities

After the standardization of requirements, all subordinate departments (units) proactively responded to and organized the relevant activities and have achieved excellent results. The external promotion also proved to be effective, signifying good condition in every aspect. Among which, some of the more prominent activities include:

- A. Young staff members in After-sales Service Division, Printed Circuit Division, Times Equipment, Urban Rail Division and Overseas Business Division of CSR Times Electric cooperated to hold the event of “Build a green world to enjoy the flowering season” as a part of serial activities in “dedication month” under the theme of “Contribution, Friendship, Mutual Assistance and Progress”.



Part V Social Harmony

- B. Staff in Functional Department of the Company held “Computer Repair Service for Everyone”, an event of providing voluntary computer repair service which allowed the youth to help more people in need with their expertise in computer.



Part V Social Harmony

- C. Staff members in Track Construction Machinery Division held the love sharing event “Heart to Heart, Hand in Hand”, which organized young staff members of the Company to visit the children of Children’s Social Welfare of Zhuzhou City.



Part V Social Harmony

- D. The Technical Center and Communications Signals Division jointly held an outdoor activity named “Save Nature for Outdoor Enthusiasts” to clean the areas around Xiangjiang. The main feature of the activity was the integration of function of associations with environmental protection charity work. The members of “66 Roller Skating Association” and “Qingfeng Cycling Association” bustled to and fro on the artificial platform in the coastal area of Xiangjiang and picked up waste disposed improperly; while the other volunteers conducted a thorough search of the beach and collected waste that came to destroy the beautiful natural environment.



Part V Social Harmony

- E. The Manufacturing Center initiated a series of promotion activities in respect of health and environmental protection. The health promotion activities included the Bring Your Own Mug Initiative, environmental protection slogan contest, “Fewer cigarettes, Fewer Areca catechu” and recycling enhancement program competition, etc.



口号：

从我做起，健康、环保不再只是一句口号；

让环保扎根现在，让绿色昭示未来；

告别槟榔告别烟，健康快乐每一天；

资源回收、创新价值，循环利用、永续发展；

吸烟室标语：

槟榔+烟，危害无边；

少吃槟榔少抽烟，健康快乐似神仙；

绿色环保，从我做起

自带水杯，节约资源

Tupperware

自带水杯

环保健康

自带水杯好处多

- 方便携带，随时随地喝水
- 减少一次性塑料杯的使用，保护环境
- 节省开支，节约资源
- 减少碳排放，降低温室气体排放
- 减少垃圾，减轻垃圾处理的压力

Part V Social Harmony

3. Positively Response to 'March 5' Learning from Lei Feng Joint Voluntary Event in Zhuzhou City

The event was organized by 'Yuexing' youth volunteer association of CSR Times Electric, with more than 20 volunteers kick-started an environmental protection event under the theme of "Beautiful Shifeng". They were divided into two groups, namely cleaning group and promotion group. The cleaning group was responsible for cleaning up the bus stops and the bicycle parking areas in the surrounding areas of Xiangshi Plaza as well as removing the plastic waste in the flower plots nearby; while the promotion group was responsible for promoting the harmfulness of white pollution and persuading the passers-by to sign on the banner printed with the slogan "Let nature rest and human history continue, Start protecting environment from personal behaviour". They also distributed reusable shopping bags to people who signed on the banner and called on the citizens to put environmental protection in action. The event continued through the morning and the volunteers completed cleaning for a total of 6 bus stops, 4 bicycle parking areas and the surrounding flower plots. They have also promoted the idea of environment protection to about 100 pedestrians and distributed 80 reusable shopping bags. The event has achieved excellent results and gained compliment and recognition from passers-by and the surrounding establishments.



4. Participate in the Large-scale Charity Color Run Campaign of 'Enthusiasm in Shifeng Business Venture and Transformation Joining Efforts for Civilization'

More than 80 employees participated in 'Enthusiasm in Shifeng Business Venture and Transformation Joining Efforts for Civilization', a large-scale charity color run campaign held by the Shifeng District Government. The event was set up with 4 color stations. By spraying colored powder to each other in the running race, and adopting environmentally friendly means of transportation such as walking and taking public transport, participants made contributions to the election of Zhuzhou as one of the most excellent cities of China.



Part V Social Harmony

5. Launching a Series of 2014 'Going out' Promotional Campaigns in High Schools

The Company further enhanced its popularity and influence in target colleges. In October, CSR Times Electric sponsored the Twelfth Student Association Cultural Festival held by Huazhong University of Science and Technology. Through giant air brush, banners, advertisements on the front sides of evening party tickets, lightbox advertisements in the school campus, printing Logo on the presents for the garden party, Huazhong University of Science and Technology promoted the image and brand of the Company. This enabled more high school students to know the Company and delivered a good promotional effect.



6. Establishment of 'Single Youth' Resource Pool in the Company and Organizing Networking Events

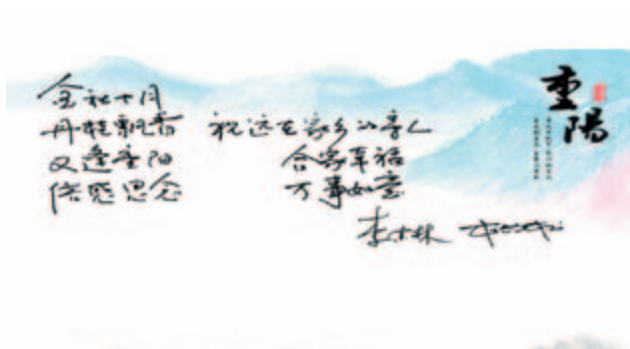
In 2014, the Company continued to update its 'single youth resource pool' for offering better assistance to the young people and care of their needs. For the employees in the single youth resource pool, the Company organized "whisper in autumn, romance of love" and 'hand-in-hand in winter' respectively with the Procuratorate of Zhuzhou City and the Central Hospital of Zhuzhou City. Organized in the form of "If You Are the One" and outings respectively, these events solved actual problems for single youth and showed the good youth image of the Company's young people to the public.



Part V Social Harmony

7. Launching the “Double Ninth Festival Greeting Card” Activity

This activity aimed to strengthen the young staff’s sense of belonging in the enterprise and made their families deeply feel the warmth from the enterprise. It recovered and mailed 1,110 cards, which covered the majority of young League members of the Company. Li Donglin and Du Jingsong, the General Manager and Sub Party Committee Secretary of the Company, wrote greetings on the cards, respectively.



Part VI

Future Outlook

Facing the opportunities and challenges arising from the internationalization, transformation and upgrade of China's rail transit equipment industry currently and in the future, the Company will position itself firmly in the rail transit concentric diversified industry. Leveraging fully its advantages in aspects of management, research and development, resources, etc., the Company will maintain the momentum for its continued healthy development and strive to become the China's leading and internationally-renowned systematic solution provider over the sector of mechanical and electrical rail transit equipment in China:

1. The Company will look forward to the future and coordinate its overall deployment layout. Focusing on its sustainable development needs, the Company will pay great efforts in exploring new industries. With concentric diversification as its development strategy, it can expedite the deployment layout and exploration of new industries and develop diversified businesses in order to avoid the excessive impacts on the Company's business arising from the fluctuation of rail transit industry.
2. With a view to break through the growth bottleneck of the existing industry scale, the Company will significantly focus on two major economic growth sectors: new industries and inspection maintenance service. Taking advantages of railway engineering machinery vehicle and electrical system, the Company will rapidly promote the applications of innovative products and technologies. With the scale development of IGBT industry as priority, the Company will strengthen and expand the semiconductor industry sector. By actively expanding the main industries based on frequency conversion and control technology, the Company will seek new industry growths and accomplish distribution of maintenance and value-added service industry in order to create values for customers. Based on stringent discussions and review, it will selectively enter into the relevant emerging industry.
3. The Company will strengthen its capabilities of strategic selection and capital operation. Through capital operation, the company will be able to explore rooms for its external development, key technologies obtaining, resources and capabilities, its efficiency enhancing of resource allocation and overall competitiveness as well as the best path exploring for globalized and cross-industry development.
4. The Company will consolidate the 'global operation' strategy. By gradually refining its globalized purchase mode, it will establish a system for globalized manufacturing and supply chain. The Company will refine the overseas sales network and the after-sale service network to enhance its competitiveness in its places of business and avoid tariff and trade barrier. Evolving from the initial stage into higher stages of globalization, the Company will rapidly strengthen its internationalized interdisciplinary talent team and further boost its global operation ability and level.

Part VI Future Outlook

5. The Company will consolidate the building of its excellent management system and intensively push forward the 'efficient organization' strategy. Accumulating management experience applicable to its characteristics, the Company will establish a management system for the modern multi-national, multi-industry and multi-product corporate organizations, which is adaptable to the development of the industry. It will also continue to enhance internal management level and strengthen the capability of internal audit and risk control through informatization and standardization.
6. The Company will optimize the safety and environmental management system and strengthen the energy control. Establishing itself as a green environmental enterprise, the Company provides green, environmental and comfortable products and service solutions. The Company also complies with the international covenants and accordingly discharges its related obligations so as to assure its safe operation and sustainable development.



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