中國高速傳動設備集團有限公司*

China High Speed Transmission Equipment Group Co., Ltd.

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 658)

2014 Annual Report

* For identification purpose only

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Yueming *(Chairman and Chief Executive Officer)*
Mr. Chen Yongdao
Mr. Lu Xun
Mr. Li Shengqiang
Mr. Liu Jianguo
Mr. Liao Enrong
Mr. Jin Maoji

Independent non-executive Directors

Mr. Jiang Xihe
Mr. Zhu Junsheng
Mr. Chen Shimin
Ms. Jiang Jianhua

AUDIT COMMITTEE

Mr. Jiang Xihe *(Chairman)*
Mr. Zhu Junsheng
Mr. Chen Shimin

REMUNERATION COMMITTEE

Mr. Chen Shimin *(Chairman)*
Mr. Jiang Xihe
Mr. Liu Jianguo

NOMINATION COMMITTEE

Mr. Hu Yueming *(Chairman)*
Mr. Zhu Junsheng
Mr. Jiang Xihe

REGISTERED OFFICE

4th Floor, Harbour Place
103 South Church Street
George Town
Grand Cayman KY1-1002
Cayman Islands

AUDITORS

Deloitte Touche Tohmatsu

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1302
13th Floor
Top Glory Tower
No.262 Gloucester Road
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY SECRETARY

Mr. Lui Wing Hong, Edward CPA (Aust.), FCPA

CORPORATE INFORMATION

AUTHORISED REPRESENTATIVES

Mr. Liao Enrong

Mr. Lui Wing Hong, Edward

PRINCIPAL BANKERS

China Construction Bank

ICBC

China Minsheng Bank

China Merchants Bank

SPD Bank

BNP Paribas

Citibank

Australia and New Zealand Bank

WEBSITE

www.chste.com

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited ("Stock Exchange")

(Stock Code: 00658)

PERFORMANCE HIGHLIGHTS

	Year ended 31 December 2014 RMB'000	Year ended 31 December 2013 RMB'000	Change
Highlight of Results			
Revenue	**8,147,338**	6,539,058	24.6%
Gross Profit	**2,020,243**	1,630,832	23.9%
Profit for the year attributable to owners of the Company	**208,422**	64,573	222.8%
Basic earnings per share (RMB)	**0.127**	0.047	170.2%
Diluted earnings per share (RMB)	**n/a**	0.047	n/a

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000	Change
Highlight of Balance Sheet			
Total Assets	**25,299,504**	22,970,686	10.1%
Total Liabilities	**16,429,402**	14,208,985	15.6%
Net Assets	**8,870,102**	8,761,701	1.2%
Net Assets per Shares (RMB)	**5.4**	5.4	—
Gearing Ratio*(%)	**64.9**	61.9	

* Gearing ratio = Total liabilities/Total assets

CHAIRMAN'S STATEMENT

I am pleased to present the 2014 annual report of China High Speed Transmission Equipment Group Co., Ltd. (the "Company"). For the year ended 31 December 2014 (the "Period under Review"), the Company and its subsidiaries (collectively referred to as the "Group") recorded sales revenue of approximately RMB8,147,338,000, representing an increase of approximately 24.6% from 2013. Profit attributable to owners of the Company was approximately RMB267,376,000, representing an increase of approximately 314.1% from 2013. The gross profit margin for the year was 24.8%, representing a slight decrease of 0.1 percentage points from last year.

As China's economy continued to be under the pressure arising from the resultant effects of weak domestic demand and adjustment to external demand, the macroeconomic indicators such as the annual GDP growth rate were pulled down, and the economy also grew at a much lower rate. In this regard, the deliveries of equipment manufacturing industry products were also affected. However, benefiting from the continuous development of technology, the overall costs for the industry decreased significantly. Meanwhile, with the improvement of the wind power infrastructure such as the smart grid, the policies relating to offshore wind power were introduced successively, providing strong supports for the recovery of wind power industry in 2014. According to preliminary statistics of Chinese Wind Energy Association, new installed capacity of wind power in 2014 was 23,350,500 kW, representing an increase of 45.1% as compared with 2013. The total installed capacity reached to 115 million kW, representing an increase of 25.5% as compared with the previous year. For the year ended 31 December 2014, the delivery of wind power transmission gear box of China High Speed Transmission in the PRC was approximately 10.4GW, the highest on record. China High Speed Transmission continues to be the largest provider of wind power transmission equipment products in the PRC.

As indicated in the latest "2014 Global Wind Statistics" published by Bloomberg New Energy Finance, a research institute, the new installed capacity of onshore wind power in China for the year of 2014 reached 20.7 GW, four times larger than the US market size and accounting for 40% of the global new installed capacity. Since 2009, in respect of wind power, China has exceeded the US and become the largest market for the past six consecutive years, which demonstrated China's immense potential regarding the commercial and scale development of wind energy resources. With the up-trend of domestic and international economic situation and the improvement of wind power infrastructure such as the smart grid, the state increased its supporting efforts on the wind power industry. In the long run, unfavorable factors such as grid connection issues will be gradually eliminated. Thus, there will be a new round of rapid growth for the industry. Furthermore, wind power, as one of the top three major power sources, has significantly contributed to the adjustment to China's energy structure, the emission reduction of greenhouse gases and the protection of ecological environment.

Looking back to 2014, facing the situation with opportunities and challenges, the Group implemented optimized and lean management policies. Our revenue of wind power transmission equipment products increased 40.1% to RMB5,801,985,000 year on year, and the gross profit margin increased 1.7 percentage points year on year.

CHAIRMAN'S STATEMENT

As a leading manufacturer of wind gear transmission equipment in the PRC, the Group will continue to expand its product scale, diversify its product mix and design products applicable to low wind speed for the development of its wind power gear box products, so as to meet the different requirements from customers. During the period under review, sales of 1.5MW or below wind power transmission equipment accounted for 46.9% of total sales of wind power transmission equipment products. Such percentage is expected to further decrease in 2015 since the Group will mainly focus the production of 2MW, 3MW and even 5MW or above wind power transmission equipment products. In terms of technical level, the Group has kept abreast with international competitors. During the period under review, the Group supplied 5MW large wind power gear boxes to its customers ,and further optimized 5MW and 6MW wind power gear box transmission equipment. The Group also established good cooperation with renowned domestic and international wind turbine manufacturers, including GE Energy, Nordex, Vestas, Repower, Hitachi, Alstom Wind (阿爾斯通風電), Suzlon, Goldwind (金風科技), Sinovel (華鋭風電), Guangdong Mingyang (廣東明陽), Shanghai Electric (上海電氣), Guodian United (國電聯合), Dongfang Electric (東方電氣), Envision Energy (遠景能源) and windey(運達風電). Furthermore, the Group actively explored international markets, and successively established wholly-owned subsidiaries in the US, Germany, Singapore and Canada to present its high-quality service integrated with sales, maintenance, technique supports to overseas customers. In the future, we will continue to focus on product quality while strengthening international competitiveness to expand our global market shares.

Although traditional transmission equipment products were affected by the slowdown of macro economy, our revenue from such segment still remained at a stable level. In the future, the Group will strengthen product research and development, change its sales strategies, carry out modularization management, integrate advantageous resources, improve the quality control system, and further promote product design and development so as to bring the development of traditional transmission equipment business to a new state through mature market operation.

Starting from 2015, in order to push forward with plans to restructure the energy mix and develop renewable energy, the Group has stripped the mining machinery business in accordance with relevant national policies to achieve optimal distribution of resources. The Group disposed of 60% interest in Zhong-Chuan Heavy Duty Equipment Co., Ltd. and 100% interest in Nanjing Guote Gear Box Manufacturing Co., Ltd. on 20 January 2015, which will help further improve the Company's profitability.

CHAIRMAN'S STATEMENT

Looking forward to 2015, the positive effects of deep reform on macro economy are expected. Meanwhile, with the improvement of the conditions for wind power grid connection and the introduction of various favorable national policies, the wind power industry will enter into a "new normal" of stable growth. The Group will continue to increase and enhance the production of gear transmission products in the future by positioning gear transmission products as its core business. The Group will adopt cautious and pragmatic strategy to pay attention to the prospects of electric control, heavy duty high precision machine tools and LED sapphire substrate business and closely follow conditions of product market, while striving to ensure the sound development of its existing business, so as to formulate development strategies for relevant products. We will promote relevant business with a sense of fiduciary duties to shareholders and continue to improve the quality of our core business and economy of scale, in order to become the listed company being principally engaged in equipment manufacturing with advanced technologies, optimized structure, significant profit, synergetic development between domestic and overseas market, best corporate governance and market value.

I would like to express my heartfelt thanks to the management, the Board, all staff, shareholders and investors who have contributed to and put faith in the Group as well as our business partners who have been supportive of the Group.

Hu Yueming
Chairman
27 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in research, design, development, manufacture and distribution of a broad range of mechanical transmission equipment that are used in a wide range of industrial applications. For the year ended 31 December 2014, the Group recorded sales revenue of approximately RMB8,147,338,000 (2013: RMB6,539,058,000), representing an increase of approximately 24.6% from 2013. The gross profit margin was approximately 24.8% (2013: 24.9%). Profit attributable to owners of the Company was approximately RMB208,422,000 (2013: RMB64,573,000), representing an increase of 222.8% from 2013. Basic and diluted earnings per share attributable to the owners of the Company were both amounted to RMB0.127 (2013: RMB0.047).

Principal business review

1. Wind gear transmission equipment

Large and diversified development

The wind gear transmission equipment is a major product that has been developed by the Group. During the Period under Review, sales revenue of wind power gear transmission equipment business increased by approximately 40.1% to approximately RMB5,801,985,000 (2013: RMB4,140,327,000) as compared with last year. The increase was attributable to the fact that there were signs of the overcoming of the grid connection issues and the PRC government had successively issued policies encouraging the development of renewable energy and offshore wind power, leading to the significant increase of product delivery.

The Group is a leading supplier of wind gear transmission equipment in the PRC. By leveraging its strong research, design and development capabilities, the Group's research and development has achieved good results. Of these, the 1.5MW, 2MW and 3MW wind power gear transmission equipment has been provided to domestic and overseas customers in bulk. The product technology has reached an international advanced technical level and is well recognised by customers of the Group. Furthermore, the Group has successfully developed and sold 5MW and 6MW wind power gearbox transmission equipment for the development of offshore wind turbine, which is expected to bring a larger flow of business to the Group in the future.

Currently, the Group maintains a strong customer portfolio. Customers of its wind power business include the major wind turbine manufacturers in the PRC, as well as renowned international wind turbine manufacturers such as GE Energy, Nordex, Vestas, REpower, Hitachi, etc. With the Group's increasingly globalised operation, major overseas wind power equipment manufacturers such as Alstom Wind and Suzlon have also become the overseas customers of the Group. To accelerate expansion into overseas markets, the Group recently set up wholly-owned subsidiaries in Germany, Singapore and Canada, so as to support the sustainable development strategy of the Group. The Group strived to have closer communication and discussion with potential overseas customers to provide further diversified services.

2. **Marine gear transmission equipment**

   Actively expand the domestic market

   The Group continued to focus on research and development of new products and market expansion, and nine series of marine products have been applied in all equipment of overall ship propulsion system. The propulsion equipment manufactured by Nanjing High Accurate Marine Equipment Co., Ltd. ("NGC-MARINE"), a wholly-owned subsidiary of the Group, is also applied in fishery patrols in the domestic sea area and is well known in the overall marine supplementary business as the only technology-driven manufacturer of marine supplementary products in the PRC which is capable of providing global shipment and global warranty services. In 2014, observing requirements in the Implementation Programs to Accelerate the Structural Adjustment for Promoting the Transformation and Upgrading in the Shipbuilding Industry (2013-2015) promulgated by the State Council《(船舶工業加快結構調整促進轉型升級實施方案(2013—2015)》), the Group will continue to increase its innovation capabilities by launching more high-end products, and strive to provide the best marine propulsion system, platform gear box and marine transmission equipment for special purposes for more domestic and overseas customers. The Group has expanded its awareness of brands in the overseas market. In April 2014, the Group participated in the thirteenth Asia Pacific Maritime held at Marina Bay Sands Conference Centre in Singapore. Over 1,500 players from around 50 countries joined the exhibition, with the participation of about 15,000 visitors from more than 60 countries. At the exhibition, the Group displayed and demonstrated marine platform lifting system gear box, adjustable propulsion system and sideways-acting propeller and rudder propeller, etc. to domestic and international customers, which brought about excellent performance and attracted a great deal of attention of visitors. The Group will continue to promote the diversity of its marine transmission equipment products in order to leverage the momentum of market recovery to lay a solid foundation for its future development.

   During the Period under Review, sales revenue of marine gear transmission equipment was approximately RMB350,417,000 (2013: RMB340,523,000), representing an increase of 2.9% over last year.

3. **Transmission equipment for high-speed locomotives, metros and urban light rails**

Achievements in the research and development and promising market potential

The Group also recorded solid performance in respect of transmission equipment for high-speed locomotives, metro lines and urban light rail segments. In addition to an order of over 380 units of metro gear boxes by Qingdao Metro Line 3, it also entered into sales agreements in respect of Hong Kong Metro South District Line (香港地鐵南島綫), and Singapore Metro CCL Line and NEL Line. The Group has obtained the International Railway Industry Standard (IRIS) certificate for its rail transportation products, which has laid a solid foundation for the Group's rail transportation products to expand into high-end international railway markets. Furthermore, locomotive tractive gears manufactured by Nanjing High Speed Gear Manufacturing Co., Ltd., a wholly-owned subsidiary of the Group, successfully passed the certification of China Railway Test & Certification Centre (CRCC) in 2013, signaling that the Group has formally become a qualified supplier of China Railway Corporation. Currently its products have been successfully applied to rail transportation transmission equipment in Beijing, Shanghai, Shenzhen, Nanjing, Qingdao, Dalian, Suzhou, Hong Kong and Singapore. The Group will continue to expand three major business segments being high-speed railway, metro line and urban light rail and accelerate the research and development of light rail and high-speed railway gear equipment. The Group secured again an order of metro gear box from Brazil, purchasing above 300 units of PDM490 metro gear boxes with two-stage transmission structure. The previous gear box orders pertaining to Brazil's two MTR lines were completed for delivery and those products are operating smoothly. During the period under review, the Group obtained an order of more than 4,800 units of gear boxes for trains in suburbs of South Africa, which will be delivered within coming 10 years. That is the ever largest order in railway transportation business for the Group. The gear box ordered is PDM460 type with two-stage transmission structure, which has passed the initial inspection during the period under review, including various testing materials of gear box, appearance of gear box, spare parts and relevant technical documentations. That ensures high reliability of gear box during variable loads and high vibration and other complex conditions. Also, the application of unique gear modification technology increased the load-carrying capacity of gear box. This type of gear box has a no-repairing life exceeding 1,200,000 kilometers, meeting the requirement of low noise and high density power. PDM460 gear box will be used on new suburb trains at Pretoria, Johannesburg, Cape Town and Durban in South Africa. Such new trains are used for increasing number of passengers in these areas while providing efficient and safe public transportation for them, so as to enable the rail transportation transmission equipment to become a new source of growth of the Group.

During the Period under Review, such business generated sales revenue of approximately RMB157,623,000 for the Group (2013: RMB106,308,000), representing an increase of 48.3% over last year.

4. **Traditional transmission products**

Maintain its position as a major supplier of traditional transmission product in the market

The Group's traditional gear transmission equipment products are mainly provided for customers from various industries including metallurgy, construction materials, traffic, transportation, petrochemicals, aerospace and mining. During the period under review, sales of high speed heavy load gear transmission equipment and other products increased by 34.2% and 21.5% to RMB14,712,000 (2013: RMB10,961,000) and RMB777,286,000 (2013: RMB639,642,000), respectively; sales of gear transmission equipment for construction materials, general purpose gear transmission equipment and gear transmission equipment for bar-rolling, wire-rolling and plate-rolling mills decreased by 9.7%, 0.5% and 39.2% to RMB327,527,000 (2013: RMB362,512,000), RMB63,230,000 (2013: RMB63,539,000) and RMB277,243,000 (2013: RMB455,939,000), respectively.

Due to the worsening global economy and the PRC government's monetary tightening policies for curbing its overheating economy, the equipment industry is still under excess product capacity in PRC, thus the Group reduced prices of certain traditional transmission products accordingly. By leveraging its research and development technologies, the Group focused on the development of energy-saving and environmentally-friendly products. New products were also launched to facilitate the development strategies. Furthermore, the Group enhanced efforts in providing and selling to client spare parts of relevant products, helping them improve efficiency of products without incurring any additional capital expenditures. As a result, the Group remained one of the major suppliers of traditional transmission products in the market.

5. **Computer numerical controlled ("CNC") machine tool products**

CNC machine tool products industry

Machine tool is the core equipment of the equipment manufacturing industry. The modernisation of equipment manufacturing industry of China depends on the development of its machine tool industry. We must enhance the manufacturing capacity of our machine tool to support the development of equipment manufacturing industry. Besides, the price for heavy machine tools is very high as the international market is dominated by few manufacturers. The Group intends to take the opportunity to develop heavy, precise and efficient machine tool products to establish a presence in the heavy and high-end market and provide advanced machine tools for the equipment manufacturing industry.

In order to seize opportunities of the developing market of CNC machine tools, the Group has manufactured its own CNC system and CNC machine tool products through acquisition and research and development. The Group possessed the proprietary intellectual property rights of its self-developed CNC system and machine tools and its products include vertical machining centre and five-axis CNC milling machine such as high-speed CNC engraving and milling machine. Its high-end machine tools technology was further strengthened by capitalising on the technology platform of the Group.

From 24 to 28 February 2014, China Machine Tool & Tool Builders' Association held the eighth CNC Machine Tool Show (CCMT2014) in Shanghai New International Expo Centre. Machine tool companies of the Group which are high-tech enterprises specialising in the research & development, production and sales of CNC machine tools, participated in the exhibition.

During the Period under Review, the world's largest screw propeller Lathe-Mill NC Machine with seven-six axis, as developed by the Group in-house, was assembled on site in a user and conducted trial machining on typical screw propeller workpieces according to the user's requirement. The lathe's various operational performance indicators reach and even exceed the requirements expected by the user, winning recognition and praise from user representatives, ship-owner representatives. The lathe is able to process propellers with a diameter of eleven meters to the maximum by applying first Seven-Six Axis. Thus the processing efficiency doubled as compared to original five-axis, and its processing accuracy also increased significantly. Seven-six axis CNC milling machine is the largest and the most complicated machine tool in the world. The successful development of this machine tool demonstrates strong research and development and manufacturing capabilities of the Group, indicating the ability of Chinese machine tool enterprises to compete with leading global machine tool enterprises in the international market.

During the Period under Review, the Group provided CNC machine tool products to customers through various subsidiaries and recorded sales revenue of approximately RMB225,325,000 (2013: RMB238,255,000), representing a decrease of 5.4% over last year.

6. **Diesel engine product industry**

In order to optimise the application of marine gear transmission equipment, the Group acquired Nantong Diesel Engine Co., Ltd. ("Nantong Diesel"), which is located in Nantong city of Jiangsu province that lies in the developed Yangtze delta area.

Nantong Diesel, formerly known as Nantong Diesel Engine Factory, was first established in 1958. The company was reformed as a state-owned stock company approved by Organization Reformation Committee of Jiangsu Province in 1993 and then as a non-state-owned stock company in 2003 based on withdrawal of state-owned capital stock. It was strategically restructured with the Company in 2010 as a subsidiary of the Group.

The products of Nantong Diesel cover a wide range of models, including marine diesel engines, diesel engines for power generation and gas engines.

Nantong Diesel Engine possessed the proprietary intellectual property rights and was recognised as "Famous Brand Product of China Fishery Vessel & Machine Field", "China's Key New Product", "Jiangsu Province Key Protective Product" and "Jiangsu Province Credit Product". It was also awarded "Scientific & Technological Progress Prize of State Mechanical Industry".

During the Period under Review, the Group's sales revenue from diesel engines amounted to approximately RMB151,990,000 (2013: RMB181,052,000), representing a decrease of 16.1% over last year.

LOCAL AND EXPORT SALES

During the Period under Review, the Group maintained its position as the leading supplier of mechanical transmission equipment in the PRC. During the Period under Review, the overseas sales amounted to approximately RMB1,364,666,000 (2013: RMB1,302,596,000), representing an increase of 4.8% over last year. Overseas sales accounted for 16.7% to total sales (2013: 19.9%), representing a decrease of 3.2% to total sales over the previous year. At present, the overseas customers of the Group are based mainly in the U.S. and other countries such as India, Japan and Europe. Although the economies in Europe and the U.S. were yet to be fully recovered during the Period under Review, the Group introduced different types of products in order to extend its coverage to the overseas market.

PATENTED PROJECTS

The business of the Group has high entry barriers and requires specific technical know-how. The Group enhances corporate growth by introducing new products and new technology. Various new products have made their debuts in the domestic market under the Group's on-going innovation of products and technology. Leveraging its advanced technology and premium quality, the Group has obtained over 100 national, provincial and municipal technology advancement awards, outstanding new products awards, certification for new products, certification for high and new tech products and certification of high and new tech enterprise. As at 31 December 2014, the Group was granted 335 patents in total. Besides, the Group has applied for 44 patents which are pending for approval. The Group was the first producer to adopt ISO1328 and ISO06336 international standards. It was nominated as an enterprise for the 863 State Plan and a Computer Integrated Manufacturing System (CIMS) Application Model Enterprise by the Ministry of Science and Technology of the PRC. Until now, the Company passed ISO9001:2008 quality management system certification, ISO14001:2004 environmental management system certification and GB/T28001-2001 Occupational Health and Safety Management System Certification. Nanjing Marine, a wholly-owned subsidiary of the Company, has strictly complied with international standards and the requirements of various classification societies in designing and manufacturing marine products. Its products have passed the inspection of and obtained certifications from classification societies such as China Classification Society (CCS), Bureau Veritas (BV) in France, Germanischer Lloyd (GL) in Germany, American Bureau of Shipping (ABS) in the United States, Lloyd's Register of Shipping (LR) in the UK, Registro Italiano Navale (RINA) in Italy, Det Norske Veritas (DNV) in Norway, Russian Maritime Register of Shipping (RMRS) in Russia and Nippon Kaiji Kyokai (NK) in Japan. The wind power products manufactured by Nanjing High Speed Gear Manufacturing Co., Ltd., a wholly-owned subsidiary of the Company, have obtained certifications from China Classification Society (CCS), China General Certification Center (CGC), Technischer Uberwachungs-Verein (TUV), Germanischer Lloyd (GL), DEWI-OCC Offshore and Certification Centre in Germany. The rail transportation products have passed the IRIS (an international standard of the rail road industry) certification. Locomotive tractive gears have successfully passed the certification of China Railway Test & Certification Centre (CRCC).

FINANCIAL PERFORMANCE

The Group's sales revenue increased by 24.6% to approximately RMB8,147,338,000 during the Period under Review.

Revenue

	Year ended 31 December		
	2014	2013	Change
	RMB'000	RMB'000	
High-speed Heavy-load Gear Transmission Equipment	**14,712**	10,961	34.2%
Gear Transmission Equipment for Construction Materials	**327,527**	362,512	-9.7%
General Purpose Gear Transmission Equipment	**63,230**	63,539	-0.5%
Gear Transmission Equipment for Bar-rolling, Wire-rolling and Plate-rolling Mills	**277,243**	455,939	-39.2%
Other products	**777,286**	639,642	21.5%
Traditional Products - Subtotal	**1,459,998**	1,532,593	-4.7%
Wind Gear Transmission Equipment	**5,801,985**	4,140,327	40.1%
Marine Gear Transmission Equipment	**350,417**	340,523	2.9%
Transmission Equipment for High-speed Locomotives, metros and Urban Light Rails	**157,623**	106,308	48.3%
CNC Products	**225,325**	238,255	-5.4%
Diesel Engine Products	**151,990**	181,052	-16.1%
Total	**8,147,338**	6,539,058	24.6%

REVENUE

The Group's sales revenue for 2014 was approximately RMB8,147,338,000, representing an increase of 24.6% as compared with last year. The increase was mainly due to the pickup in orders from customers for wind power gear box products during the Period under Review. During the Period under Review, the average selling prices of wind power gear box equipment remained steady, and sales revenue of wind power gear box equipment increased from approximately RMB4,140,327,000 last year to approximately RMB5,801,985,000 during the Period under Review, representing an increase of 40.1%.

During the Period under Review, the Group's sales revenue from traditional transmission products was approximately RMB1,459,998,000, representing a decrease of 4.7% as compared with last year. During the Period under Review, sales revenue of marine gear transmission equipment and transmission equipment for high-speed locomotives, metros and urban light rails, amounted to approximately RMB350,417,000 and RMB157,623,000 respectively, representing an increase of 2.9% and an increase of 48.3% as compared with last year respectively. During the Period under Review, the Group's sales revenue from CNC products and diesel engine products was approximately RMB225,325,000 (2013: RMB238,255,000) and RMB151,990,000 (2013: RMB181,052,000) respectively.

Gross profit margin and gross profit

The Group's consolidated gross profit margin for 2014 was approximately 24.8% (2013: 24.9%), representing a slight decrease of 0.1 percentage point from last year, and its consolidated gross profit amounted to approximately RMB2,020,243,000 (2013: RMB1,630,832,000), representing an increase of 23.9% from last year. The increases in both consolidated gross profit margin and consolidated gross profit were mainly due to the substantial increase in sales revenue of wind gear transmission products during the Period under Review, which also indicated that the Group reached the stage of economy of scale.

Other income, other gains and losses

The total amount of other income of the Group for 2014 was approximately RMB399,563,000 (2013: RMB333,530,000), representing an increase of 19.8% as compared with last year. Other income is mainly comprised of bank interest income, government grants, sales of scraps and materials etc.

During the Period under Review, other gains and losses recorded a net loss of approximately RMB159,868,000 (2013: a net gain of RMB13,143,000), is mainly comprised of loss from disposal of a joint venture, foreign currency exchange loss and loss on disposal of fixed assets.

Distribution and selling costs

The distribution and selling costs of the Group for 2014 were approximately RMB304,160,000 (2013: RMB281,246,000), representing an increase of 8.1% as compared with last year. The costs were mainly product packaging, transportation expenses and staff costs. The percentage of distribution and selling costs to sales revenue for the Period under Review, was 3.7% (2013: 4.3%), representing a decrease of 0.6% as compared with last year.

Administrative expenses

Administrative expenses of the Group increased from approximately RMB613,280,000 for 2013 to approximately RMB679,853,000 for 2014, mainly due to the increase in amortisation for intangible assets, professional consultation fee and expenses of staff remuneration. The percentage of administrative expenses to sales revenue decrease by 1.1% to 8.3% as compared with last year.

Other Expenses

Other expenses of the Group for 2014 were RMB84,000,000 (2013: RMB229,330,000), the decrease was mainly due to decrease in impairment of trade receivables and provision for impairment losses on interest in a joint venture.

Finance costs

In 2014, the finance costs of the Group were approximately RMB741,608,000 (2013: RMB564,178,000), representing an increase of 31.4% as compared with last year, which was mainly due to the increase of principle amount of medium-term notes and bonds issue.

FINANCIAL RESOURCES AND LIQUIDITY *(Note)*

As at 31 December 2014, the equity attributable to owners of the Company amounted to approximately RMB8,688,371,000 (31 December 2013: RMB8,513,877,000). The Group had total assets of approximately RMB25,299,504,000 (31 December 2013: RMB22,970,686,000), representing an increase of RMB2,328,818,000, or 10.1%, as compared with the beginning of the year. Total current assets were approximately RMB17,659,342,000 (31 December 2013: RMB13,633,411,000), representing an increase of 29.5% as compared with the beginning of the year and accounting for 69.8% of total assets (31 December 2013: 59.4%). Total non-current assets were approximately RMB7,640,162,000 (31 December 2013: RMB9,337,275,000), representing a decrease of 18.2% as compared with the beginning of the year and accounting for 30.2% of the total assets (31 December 2013: 40.6%).

As at 31 December 2014, total liabilities of the Group were approximately RMB16,429,402,000 (31 December 2013: RMB14,208,985,000), representing an increase of RMB2,220,417,000 as compared with the beginning of the year. Total current liabilities were approximately RMB13,186,368,000 (31 December 2013: RMB11,508,601,000), representing an increase of 14.6% as compared with the beginning of the year, whereas total non-current liabilities were approximately RMB3,243,034,000 (31 December 2013: RMB2,700,384,000), representing an increase of 20.1% as compared with the beginning of the year.

As at 31 December 2014, the net current asset of the Group was approximately RMB4,472,974,000 (31 December 2013: RMB2,124,810,000), representing an increase of RMB2,348,164,000, or 110.5%, as compared with the beginning of the year.

As at 31 December 2014, total cash and bank balances of the Group were approximately RMB5,503,305,000 (31 December 2013: RMB4,949,986,000), including pledged bank deposits of RMB2,756,201,000 (31 December 2013: RMB2,514,615,000), and structured bank deposits of RMB1,097,399,000 (31 December 2013: 200,000,000).

As at 31 December 2014, the Group had total bank loans of approximately RMB10,938,771,000 (31 December 2013: RMB9,446,894,000), representing an increase of RMB1,491,877,000, or 15.8%, as compared with that at the beginning of the year, of which short-term bank loans were RMB7,971,209,000 (31 December 2013: RMB7,108,698,000), accounting for approximately 72.9% (31 December 2013: 75.2%) of the total bank loans. The short-term bank loans are repayable within one year. The fixed or floating interest rates of the Group's bank loans for 2014 ranged from 1.41% to 9.77% per annum.

Taking into account of the internal financial resources of and the banking facilities available to the Group, and the net current asset of RMB4,472,974,000, the Directors of the Company believe that the Group will have sufficient capital to meet its working capital requirements and foreseeable capital expenditure.

Gearing ratio

The Group's gearing ratio (defined as total liabilities as a percentage of total assets) slightly increased from 61.9% as at 31 December 2013 to 64.9% as 31 December 2014, due to the increase of bank loans.

Capital structure

The Group's operations were financed mainly by shareholder's equity, bank facilities available to the Group and internal resources. The Group will continue to adopt its treasury policy of placing its cash and cash equivalents as interest bearing deposits.

The Group's loans and cash and cash equivalents were mainly denominated in Renminbi, Hong Kong dollars and U.S. dollars. The Group's bank borrowings denominated in Hong Kong dollars and U.S. dollars as at 31 December 2014 amounted to approximately HK$587,820,000 and US$110,000,000 respectively.

During the Period under Review, the Group used interest rate swap as hedging instrument by converting certain bank borrowings from floating rate to fixed rate in order to control the risk of interest rate fluctuation of such bank borrowings.

During the Period under Review, after taking into account the impact from the utilisation by the Group of interest rate swap, the Group's borrowings with fixed interest rates to total borrowings was approximately 81%.

Note: The total assets, total current assets, total liabilities, total current liabilities and the gearing ratio (defined as total liabilities as a percentage of total asset) are calculated with reference to the consolidated statement of financial position on pages 51 and 52 of the annual report, which have eliminated the intercompany amounts of RMB1,262,851,000 contained in Trade and other receivables and Liabilities directly associated with assets classified as held for sale, instead of the relevant figures reported in the annual results announcement dated 27 March 2015. The above changes do not affect other financial information.

PROSPECTS

In 2014, the global economy generally maintained a moderate growth trend, and the structure adjustment after financial crisis was yet to complete, which resulted in the imbalance of economic development of each country. Meanwhile, some new challenges, such as regional and geopolitical conflicts and Ebola epidemic threatened the economic recovery. In the major economies, the United States outperformed amongst developed countries with stable recovery of economy and improvement of financial condition. Although the interest rate in the Eurozone remained low and the public financing costs were also gradually decreasing, the credit growth rate was still depressing and verging on recession. In 2014, it showed overall weakness in the emerging markets, and the macroeconomic growth rate slowed down in the PRC, however, with the deepening of reform under the "new normal", the progress of in-depth adjustment began to appear.

In respect of the wind power industry, in 2014, with the decline of costs in the overall industry and the successive introduction of relevant policies on offshore wind power, wind power became a leader in the new energy field. According to preliminary statistics of Chinese Wind Energy Association, the aggregate installed capacity amounted to 114,763,390 kW in 2014 in the PRC, representing an increase of 25.5% as compared to the same period last year. The new factory lifting capacity of wind power also created another historical record in 2014. With the continued expansion of wind power installed capacity and driven by the adjustment of new energy development strategies and relevant supporting policies, the manufacturing capacities in the wind power industry have met the development needs of onshore and offshore wind power, which led to stable recovery of the wind power industry.

During the Period under Review, according to the national development strategies on wind power, the Group actively promoted the research and development of wind gear transmission equipment and optimized its production processes to improve the development of wind power equipment business. In 2014, the Group continued to provide 1.5MW, 2MW and 3MW wind power gear boxes to the customers. In addition, it also successfully offered 5MV wind gear transmission equipment to further cater for the different needs of customers, which further promoted the implementation of its development strategy of manufacturing large and diversified wind power products to gradually improve the technology manufacturing and service system of wind power transmission equipment. In 2014, the Group achieved significant orders and delivery. As at 31 December 2014, the Group recorded sales revenue from wind power transmission products of approximately RMB5,801,985,000, representing an increase of 40.1% as compared to the same period last year, and created a new high of sales historically. Furthermore, while strengthening its position in the domestic market, the Group also actively entered into overseas markets. In order to realize the goal of the globalization and sustainable development, the Group successively established wholly-owned subsidiaries in Germany, Singapore and Canada in 2014, which served not only as stable communication channels with potential overseas high-quality customers, but also networks for providing technical support, maintenance and services. We will proactively continue to maintain strict quality control on the products and meet various technical, commercial and service requirements of overseas wind turbine manufacturers to enhance the Group's competitiveness overseas, and thus enable the Company to record a new high in the profitability of its core business.

During the Period under Review, in addition to focusing on the improvement of wind power equipment business, the Group made efforts to change the sales strategies on traditional gear transmission equipment segment. During the Period under Review, due to the effects of domestic economy in the PRC, the equipment industry was still under oversupply. Our traditional industry gear equipment business realized a turnover of RMB1,459,998,000, representing a decrease of 4.7% as compared to the same period last year.

In respect of transmission equipment for high-speed locomotives, metros and urban light rails, the Group keeps in step with the popularization trend of high-speed railways and light rails in the PRC. And due to the recognition and re-order from overseas customers, the development prospect of its products is promising.

In respect of marine products, as one of the largest manufactures of ship propulsion system in the PRC and the only manufacturer of marine supplementary products in the PRC capable of providing global shipment and global warranty services, the Group has made improvement on structure and performance of its existing marine products, and has, in due time, developed certain products which meet the latest market demands, such as rudder propeller, sideways-acting propeller and platform lifting gear box, which has opened a new channel to expand the marine product market.

While striving to ensure the sound development of its existing business, with gear products as its core business in the future, the Group will continue to strengthen and develop the gear products, maintain a cautious and pragmatic operating strategy to monitor the development prospect of electric control, heavy duty high precision machine tools and LED sapphire substrate, keep in step with the market condition to formulate the development strategies of such products, and promote the development of related business on the attitude responsible to shareholders.

Looking forward to 2015, the positive effects on macro economy from in-depth reform are expected in the PRC. At the same time, with the gradual improvement of wind power grid connection conditions and the continuous introduction of favorable policies by the state, the wind power industry will enter into a "new normal" of sound development. The Group will also capture this new round of development opportunities so as to continuously enhance the quality and economies of scale of its core business. Meanwhile, it will optimize other business segments and the layout of business globalization to build the Company as a listed equipment manufacturing company with advance technology, optimized structure and significant benefit, co-development of domestic and international markets, top-tier corporate governance and market value.

PLEDGE OF ASSETS

Save as disclosed in note 40 to the consolidated financial statements, the Group has made no further pledge of assets as at 31 December 2014.

CONTINGENT LIABILITIES

Save as disclosed in note 43 to the consolidated financial statements, as at 31 December 2014, the Directors were not aware of any other material contingent liabilities.

COMMITMENTS

As at 31 December 2014, the Group had expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment and land use right, and outstanding commitments payable under non-cancellable operating lease in respect of rented land and premises of approximately RMB536,465,000 and RMB9,654,000 respectively (31 December 2013: 650,764,000 and RMB5,656,000). Details are set out in notes 39 and 41 to the consolidated financial statements respectively.

FOREIGN EXCHANGE RISK

The Group's operations are mainly conducted in the PRC. With the exception of export sales and the imported equipment, spare parts and materials which are transacted in U.S. dollars and Euros, most of the Group's revenue and expense are denominated in Renminbi. Therefore, the Board of the Company is of the view that the Group's operating cash flow and liquidity during the Period under Review are not subject to significant foreign exchange rate risks. The Group has not used any foreign currency derivatives to hedge against the exposure in foreign exchange.

The Group's bank borrowings denominated in Hong Kong dollars and U.S. dollars as at 31 December 2013 amounted to approximately HK$587,820,000 and US$110,000,000 respectively. Therefore, the Group may be exposed to certain foreign exchange rate risks.

The net loss of foreign exchange recorded by the Group during the Period under Review was approximately RMB32,139,000 (2013: a net gain of RMB20,116,000), which was mainly due to the appreciation of Renminbi against major foreign currencies during the Period under Review. In light of the above, the Group will actively manage the net amount of foreign currency assets and liabilities by formulating foreign currency control measures and strategies, with a view to reducing its exposures to exchange risks in 2015.

INTEREST RATE RISK

The loans of the Group are mainly sourced from bank borrowings and mediun-term notes. Therefore, the benchmark lending rate announced by the People's Bank of China, the LIBOR and HIBOR will have a direct impact on the Group's cost of debt and future changes in interest rate will also have certain impacts on the Group's cost of debt. The Group will strive to reduce the finance cost by actively monitoring the changes in credit policies, taking pre-emptive actions, strengthening capital management and expanding financing channels. During the Period under Review, the Group used interest rate swap as hedging instrument by converting certain bank borrowings from floating rate to fixed rate which ranges from 1.4% to 2.93% per annum in order to control the risk of interest rate fluctuation of such bank borrowings.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group employed approximately 8,768 employees (31 December 2013: 9,293). Staff cost of the Group for 2014 approximated to RMB1,231,354,000 (2013: RMB1,116,800,000). The cost included basic salaries, discretionary bonus and staff benefits such as medical and insurance plans, pension scheme, unemployment insurance plan, etc.

The remuneration committee of the Company is responsible for making recommendations to the Board on the Company's remuneration policy and structure, the remuneration packages of individual executive Director and senior management and the remuneration packages of non-executive Directors.

The Group's criteria in relation to the determination of directors' remuneration take into consideration factors including but not limited to salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

The salary levels of employees are generally determined by reference to the employees' positions, responsibilities and performance as well as the Group's financial performance. In addition to salaries, the Group provides housing allowances to some of its employees. The Group also offers incentive programmes to encourage its employees to take initiatives and rewards employees who have made valuable contributions or achieved technical breakthroughs. The Group's employees are rewarded for their creativity achievements in technologies and technical skills, management of information, product quality and enterprise management.

The Group has adopted incentive programmes (including the Share Option Scheme) to encourage employee performance and a range of training programmes for the development of its staff.

PENSION SCHEME

The employees of the Group are members of state-managed pension scheme operated by the local government in China. The Group is required to contribute a specific percentage of their payroll costs to the pension scheme for the funding of the scheme. The sole responsibility of the Group in respect of this pension scheme is making specific contribution to this scheme.

SIGNIFICANT INVESTMENT HELD

There was no significant investment held by the Group during the Period under Review.

MATERIAL ACQUISITION AND DISPOSAL

During the Period under Review, there was no material acquisition or disposal of subsidiaries and associated companies.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

As at the date of this report, the Group did not enter into any agreement in respect of any proposed acquisitions and did not have any other future plans relating to material investment or capital asset.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in note 50 to the consolidated financial statements, there are no important events occurred subsequent to 31 December 2014.

DIRECTORS AND SENIOR MANAGEMENT

Details of the biographies of Directors and senior management are listed as follows:

EXECUTIVE DIRECTORS

Mr. Hu Yueming, aged 65, is the Chairman, Chief Executive Officer and executive Director of the Company. Mr. Hu is a university graduate and was graduated from Fudan University majoring in laser technology in 1977. Mr. Hu is a senior engineer. He has more than 30 years of experience in the management of machinery and industrial enterprises and has served as the head of various state-owned enterprises such as Nanjing Engineering Equipment Factory (南京工藝裝備廠) and general manager of various foreign invested enterprises including Nanjing Atlas Copco Construction Machinery Ltd. He has extensive experience in enterprise management. In 1998, he became the general manager of Nanjing High Speed Gear Factory. He has been the chairman and the general manager of Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. ("NGC"), the subsidiary of the Group, since March 2007. Mr. Hu also holds directorship in certain subsidiaries and associates of the Group (see the note below). Mr. Hu is an expert on mechanical transmission equipment technology and business management. He is also the vice president of the China New Energy Generation Network (中國新能源發電網), a council member of China General Machine Components Industry Association (中國機械通用零部件工業協會), the vice chairman of Gear Manufacturers Association (齒輪專業協會) of China General Machine Components Industry Association (中國機械通用零部件工業協會) and chairman of Nanjing Renewable Energy Association (南京可再生能源協會). He has been awarded the "National May 1 Labour Medal" (全國五一勞動獎章) and title of "The 4th Outstanding Entrepreneur of the Machinery Industry" (第四屆全國機械工業明星企業家). He is also one of the members of the group of major shareholders of the Company (the "Management Shareholders").

Note: Including subsidiaries of Nanjing High Speed & Accurate Gear (Group) Co., Ltd. ("Nanjing High Accurate"), Nanjing High Speed, Nanjing Dongalloy Machinery & Electronics Co., Ltd. ("Dongalloy"), Nanjing Ningkai Mechanical Co., Ltd. ("Ningkai"), Nanjing Marine, Nanjing Ninghongjian Mechanical Co., Ltd. ("Ninghongjian"), Nanjing High Drive Automation Equipment Co., Ltd. ("High Drive"), Nanjing Gaochuan Sky Digital Control Equipment Manufacturing Co., Ltd. (formerly known as Nanjing Sky Electronic Enterprise Co., Ltd.)("Gaochuan Sky"), Nantong Diesel, Zhong-Chuan Heavy Duty Machine Tool, Nanjing Jingjing Photoelectric Science & Technology Co. Ltd. ("Nanjing Jingjing"), AE&E Nanjing Boiler Co., Ltd. (formerly Known as Nanjing Boiler Works) ("AE&E Nanjing"), NGC Transmission Equipment (America), Inc. ("NGC (US)"), Eagle Nice Holdings Limited ("Eagle Nice") and China Transmission Holdings Limited ("China Transmission Holdings").

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Yongdao, aged 52, is an executive Director of the Company. Mr. Chen is a university graduate. He obtained a bachelor's degree from Jiangsu Institute of Technology majoring in metal material and heat treatment in 1983 and a master's degree from Nanjing University of Science and Technology majoring in engineering in 2007. He is a senior engineer. He served as the deputy head of the inspection and gauging section, head of the production allocation section of the factory and deputy general manager of Nanjing High Speed Gear Factory. He has become a director and the deputy general manager of NGC since March 2007. Mr. Chen also holds directorship in certain subsidiaries of the Group, namely Nanjing High Accurate, Nanjing High Speed, Nanjing Marine, Dongalloy, Ningkai, High Drive, Nantong Diesel, Zhenjiang Tongzhou Propeller Co., Ltd. ("Zhenjiang Tongzhou"), China Transmission Holdings and NGC Marine Propulsion Southeast Asia Ptd. Ltd. ("NGC Marine"). He is also the general manager of Nanjing Marine. Mr. Chen is an expert on heat treatment of metal material and has engaged in the research, design and development of mechanical transmission equipment production techniques, gauging and inspection of mechanical transmission equipment and enterprise management for nearly 30 years. He has received a number of awards for the achievement of his research on mechanical transmission equipment production techniques. He is also one of the Management Shareholders.

Mr. Lu Xun, aged 60, is an executive Director of the Company. Mr. Lu graduated from Nanjing Aeronautical Institute majoring in managerial engineering in 1991. He also attended and finished postgraduate courses. He is a senior engineer. He worked as the deputy head of the quality assurance section, deputy head of the technology section, head of the operational planning section, deputy Chief Economist, head of the operational planning division and deputy general manager of Nanjing High Speed Gear Factory. He has become a director and deputy general manager of NGC since March 2007. Mr. Lu also holds directorship in certain subsidiaries of the Group, namely Nanjing High Accurate, Nanjing High Speed, High Drive, Nantong Diesel, Eagle Nice and China Transmission Holdings. Mr. Lu is an expert on marketing management for mechanical transmission equipment and has engaged in the technology and marketing management of mechanical transmission equipment for more than 25 years and has extensive experience in marketing management and client resources. He is also one of the Management Shareholders.

Mr. Li Shengqiang, aged 61, is an executive Director of the Company. Mr. Li is a university graduate. He graduated from Jiangsu Administration Institute majoring in administrative management in 1992. He has served as a deputy party secretary of the tools section, Chairman of the Workers' Union and deputy general manager of Nanjing High Speed Gear Factory. He has become a director and deputy general manager of NGC since March 2007. Mr. Li also holds directorship in certain subsidiaries of the Group, namely Nanjing High Accurate, Nanjing High Speed, Ningkai, High Drive, Zhong-Chuan Heavy Duty Machine Tool, AE&E Nanjing, Eagle Nice and China Transmission Holdings. Mr. Li has been engaged in the enterprise management for nearly 30 years and has extensive experience in mechanical transmission equipment production management. He is also one of the Management Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Jianguo, aged 45, is an executive Director of the Company. Mr. Liu is a university graduate. He graduated from Shanghai Jiaotong University with a bachelor's degree majoring in mechanical technology and equipment in 1990. He is a senior engineer. He has served as deputy head and head of the research centre, assistant to general manager, acting chief engineer and chief engineer of Nanjing High Speed Gear Factory. He has also become a director and deputy general manager of NGC and chief engineer of the Group since March 2007. Mr. Liu holds directorship in certain subsidiaries of the Group, namely Nanjing High Accurate, Nanjing High Speed, Ningkai, Ninghongjian, High Drive, NGC (US)and China Transmission Holdings. Mr. Liu has engaged in the research and development and design of gear transmission products and enterprise management for more than 20 years. He took charge of the design and research and development of various major new products of the Company such as wind power generation, steel and cement, and has received a number of awards including the certificate of expert with outstanding contribution in the gear industry in the PRC, Science and Technology Awards for the PRC Mechanical Industry (FD1660-type Wind Power Generation Gear Box) and Jiangsu Provincial Science and Technology Advancement Award. He is also one of the Management Shareholders.

Mr. Liao Enrong, aged 54, is an executive Director of the Company. Mr. Liao is a postgraduate. He graduated from Anhui Institute of Technology with a bachelor's degree majoring in metal material and heat treatment in 1984. He also attended and finished courses of investment economics in the Graduate School of the Chinese Academy of Social Sciences. He is a senior engineer. He has served as deputy head and head of the workshop, head of the technological reform section, deputy chief engineer, head of the enterprise management section, assistant to general manager of Nanjing High Speed Gear Factory. Mr. Liao has been a director and deputy general manager of NGC since March 2007. Mr. Liao also holds directorship in certain subsidiaries of the Group, namely Nanjing High Accurate, Nanjing High Speed, Dongalloy, Ningkai, Nanjing Marine, Ninghongjian, High Drive, Gaochuan Sky, NGC (US) and China Transmission Holdings. He is also the general manager of High Drive. Mr. Liao has experience in the heat treatment of metal material and has engaged in technology, investment and enterprise management for more than 25 years. He is also one of the Management Shareholders.

Mr. Jin Maoji, aged 61, is an executive Director of the Company. Mr. Jin is a university graduate. He graduated from Shanghai Mechanical Institute in 1986. He also attended and finished postgraduate courses. He is a senior economist. Mr. Jin joined Nanjing High Speed Gear Factory in 1970 and served as deputy head and head of workshop, head of human resources department and office head. He has served as director and vice general manager of NGC since May 2010. Mr. Jin also holds directorship of certain subsidiaries of the Group, namely, Nanjing High Accurate, High Drive, Zhong-Chuan Heavy Duty Machine Tool and China Transmission Holdings. He has engaged in management for over 30 years with extensive management experience. He is also one of the Management Shareholders of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jiang Xihe, aged 56, is an independent non-executive Director of the Company. He is a Doctor in accountancy. He graduated from the Central University of Finance and Economics (中央財經大學) majoring in accountancy in June 1990. He obtained professional accounting qualification recognized in the PRC in July 1999. He is also a member of the Chinese Institute of Finance and Cost for Young & Mid-career professionals as well as a member of the Hong Kong International Accounting Association and a standing member of Jiangsu Accounting Association. He is currently a professor at the Faculty of Accounting and Financial Management of Nanjing Normal University (南京師範大學), head of Accounting and Financial Development Research Centre of Nanjing Normal University (南京師範大學) and the party committee secretary of Jinling Girl's College, Nanjing Normal University (南京師範大學). Mr. Jiang joined the Company on 8 June 2007 as independent non-executive Director. He is also an independent non-executive director of Glarun Technology Co., Ltd., a company listed on the Shanghai Stock Exchange, and Hongda Xingye Co., Ltd., a company listed on the Shenzhen Stock Exchange.

Mr. Zhu Junsheng, aged 75, is an independent non-executive Director of the Company. He graduated from Nankai University in 1964. He engaged in technological development of the aviation industry from 1964 to 1984 and renewable energy management in government authorities from 1984 to 2000. Mr. Zhu is currently a vice president of the Chinese Renewable Energy Society, director of the Renewable Energy Professional Committee of the China Association of Resource Comprehensive Utilisation, honorary president of the wind machinery branch of the Chinese Farm Machinery Industrial Association and an executive member of the China Energy Research Society. He has extensive experience in the renewable energy industry, one of the markets that the Company strives to develop for its products. Mr. Zhu joined the Company on 8 June 2007 as independent non-executive Director.

Mr. Chen Shimin, aged 56, is an independent non-executive Director of the Company and holder of Ph. D. degree in Accounting. Mr. Chen graduated from Shanghai University of Finance and Economics and obtained a bachelor's degree and a master's degree in economics in 1982 and 1985 respectively. He also obtained a doctoral degree majoring in accounting from the University of Georgia, the United States, in 1992. He is a management accountant registered in the United States, member of the Institute of Management Accountants of the United States and the American Accounting Association of the United States. He is currently a professor of accounting, deputy dean of academic affairs of, and head of School of Master of Bussiness Management at China Europe International Business School. He is also a guest professor and Ph.D. supervisor of the School of Accounting, Shanghai University of Finance and Economics. He has extensive education and research experience in domestic and overseas financial accounting and management accounting. He taught in a number of universities in the PRC and overseas, including Shanghai University of Finance and Economics, Lingnan University in Hong Kong, Hong Kong Polytechnic University, Clarion University of Pennsylvania and University of Lousiana at Lafayette. Mr. Chen has published numerous articles related to researches on accounting in the PRC and the United States in renowned academic journals of the PRC and overseas. He was awarded with a number of academic awards and hosted research seminars in the PRC and overseas. He is also a contributing author in Asian Accounting Handbook and Accounting and Auditing in the People's Republic of China. Since 2005, Mr. Chen has been an executive editor of China Accounting and Finance Review. Mr. Chen joined the Company on 8 June 2007 as an independent non-executive Director. Currently, Mr. Chen is an independent non-executive director of Shanghai Oriental Pearl (Group) Co., Ltd., a company listed on the Shanghai Stock Exchange, Hangzhou i-Cafe Information Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange, Sun.King Power Electronics Group Limited, a company listed on the Stock Exchange, Huafa Industrial Co.,Ltd. Zhuhai., a company listed on the Shanghai Stock Exchange, and Zhejiang Wolwo Bio-Pharmaceutical Co., Ltd., a company listed on the Shenzhen Stock Exchange and an external supervisor of Shanghai Pudong Development Bank, a company listed on the Shanghai Stock Exchange.

Ms. Jiang Jianhua (蔣 建 華), aged 50, is an independent non-executive Director of the Company and holder of Ph. D. degree in Management. Ms. Jiang graduated from Shanghai University of Finance and Economics with a bachelor degree, majored in international finance, in July 1986. From July 1996 to June 1999, she studied at Tianjin University of Finance and Economics and received a master degree of management. She studied and obtained a doctor degree of management from Nanjing Agricultural University from September 2006 to December 2008. She has been the dean of Nanjing Golden Audit School of Nanjing Audit University since July 2008. From July 1986 to September 2013, she held various positions at Nanjing Audit University, including the head of finance teaching section, the assistant to department director, the deputy director of the finance department, the deputy dean of the finance school, the secretary of the Communist Party of China at the audit school, the dean of Nanjing Golden Audit School, a teaching assistant, lecturer, an associate professor and a professor at Nanjing Audit School. Ms. Jiang specialized in the areas of finance and accountancy and had written many articles and books and participated in a number research projects in these areas. She won several awards in relation to her academic and teaching excellence, including Candidate for Potential Young and Middle-aged Academic Leaders in the “Green and Blue Project” of Jiangsu Province, Candidate for Aspirants of “333 Project” of Jiangsu Province, Third Level. She joined the Company as an independent non-executive Director on 31 December 2012. Currently, Ms. Jiang serves as an independent director of Nanjing Yunhai Special Metals Co., Ltd, a company listed on the Shenzhen Stock Exchange.

SENIOR MANAGEMENT

Mr. Lui Wing Hong, Edward, aged 52, is a chief financial officer and company secretary of the Company. He graduated from York University with a Bachelor of Arts degree majoring in business and economics. He further obtained a postgraduate diploma in financial management from the University of New England. Mr. Lui is a qualified accountant, associate member of the Australian Society of Certified Practising Accountants and a member fellow of Hong Kong Institute of Certified Public Accountants. Mr. Lui joined the Company in June 2006 and is responsible for the financial and accounting management and secretarial affairs of the Company. Mr. Lui is also a director of China Transmission Holdings, a subsidiary of the Group.

Ms. Zhou Jingjia, aged 51, is the financial controller of NGC. She graduated from Suzhou University majoring in accounting and is a member of the Chinese Institute of Certified Public Accountants and a qualified accountant. Ms. Zhou joined Nanjing Engineering Mechanical Plant in 1982 and became the deputy head of finance department in 1990. In 1994, Ms. Zhou joined the Nanjing Atlas Copco Construction Machinery Ltd. as the finance department manager. In January 2006, Ms. Zhou was transferred from Nanjing Altas Copco Construction Machinery Ltd. to Altas Copco (Nanjing) Construction and Mining Equipment Ltd. From 2004 to 2006, in addition to being the accounting department manager, Ms. Zhou was appointed as the regional manager of certain production companies of the Atlas Copco Group in China and was responsible for overseeing the accounting departments. Ms Zhou joined the Group in July 2006. She became the director of NGC in March 2007. Ms. Zhou also holds directorship in certain subsidiaries of the Group, including Nanjing High Accurate, Nanjing High Speed, High Drive, Gaochuan Sky, Nantong Diesel, Zhong-Chuan Heavy Duty Machine Tool, AE&E Nanjing, NGC (US) and China Transmission Holdings.

Mr. Gou Jianhui, aged 52, is a vice general manager of NGC and holder of Ph. D. degree in Engineering. He graduated from Harbin Institute of Technology and obtained a Bachelor's degree in Engineering and a Master's degree in Engineering in 1982 and 1986 respectively. He obtained a Ph. D. degree in Engineering from Technical University of Braunschweig in 1997. He held a various positions at Harbin Institute of Technology, including a teacher of School of Mechatronics Engineering, the person-in-charge of Germany FAG China Project, chief technical officer as well as chief representative of its Beijing Representative Office, the managing director and president of Industrial Division of Schaeffler Greater China. He has received the honorary title of one of "Most Influential Leaders" in automation, logistics, driver fields of China and awarded one of "Asian Brand Management Luminaries". Doctor Gou joined the Group in May 2013 and is the vice general manager of NGC and general manager of Nanjing High Speed.

DIRECTORS' REPORT

The Directors of the Company are pleased to present the Directors' report and the audited financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company and the Group are principally engaged in production and sale of gear transmission equipment products.

Details of the principal activities of the subsidiaries, associates and jointly controlled entities of the Company are set out in notes 49, 20 and 21 to the consolidated financial statements respectively.

OPERATING RESULTS AND APPROPRIATIONS

The operating results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of comprehensive income on pages 49 and 50 in the consolidated financial statements.

The Directors do not recommend payment of a dividend for the year ended 31 December 2014 and propose that the profit for the year be retained.

DISTRIBUTABLE RESERVE

The distributable reserve of the Company as at 31 December 2014 was approximately RMB4,957,016,000 (2013: RMB5,001,456,000).

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended 31 December 2014 are set out in note 16 to the consolidated financial statement.

SHARE CAPITAL

Details of the registered and issued share capital of the Company are set out in note 37 to the consolidated financial statements.

DONATION EXPENDITURE

During the Period under Review, the donation expenditure of the Group was approximately RMB268,000 (2013: RMB530,000).

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities for the year ended 31 December 2014.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 8 June 2007 pursuant to the written resolutions of all shareholders of the Company, which will expire on 8 June 2017. The share option scheme is a share incentive scheme and is established to recognize and acknowledge the contributions of the eligible participants who have had or may have made to the Group. The share option scheme will provide the eligible participants an opportunity to have a personal stake in the Company with the view to (i) motivating the eligible participants to optimize their performance and efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

Options granted must be taken up within 12 months from the date of grant, upon payment of HK$1 per option. Options may be exercised at any time prior to the expiry from 10 years from the date of acceptance. The exercise price is determined by the Directors of the Company, and must be at least the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. Share options do not confer rights to the holders to receive dividends or vote at shareholder's meetings.

As at 31 December 2014, the Company did not have any outstanding options.

MAJOR SUPPLIERS AND CUSTOMERS

The purchase amounts from the Group's five major suppliers and the largest supplier were approximately RMB1,265,497,000 and RMB369,573,000, representing 14.1% and 4.1% of the total purchase amounts respectively. Besides, the revenue amount from the Group's five major customers and the largest customer were approximately RMB4,244,482,000 and RMB1,234,177,000, representing 52.1% and 15.2% of the total revenue amounts respectively. All transactions between the Group and relevant suppliers and customers were carried out on normal commercial terms.

To the best knowledge or the Directors, none of Directors and any shareholders holding over 5% of the Company's shares and their associates (within the meanings of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) had any interests in the above five major suppliers and customers during the year.

DIRECTORS' SERVICE CONTRACTS

All Directors have entered into service contracts with the Company with a term of three years starting from the Listing Date or the date of appointment or re-election.

Under the Cayman Companies Law, at every annual general meeting of the Company, no less than one-third of the Directors for the time being shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and eligible to the offer themselves for re-election.

None of the Directors or Directors intending to seek re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS AND THEIR TERMS

Directors in office and their terms for the year and up to the date of this report were:

Executive Directors:

Mr. Hu Yueming	Three years from the date of his re-election on 21 June 2013
Mr. Chen Yongdao	Three years from the date of his re-election on 20 June 2014
Mr. Lu Xun	Three years from the date of his re-election on 20 June 2014
Mr. Li Shengqiang	Three years from the date of his re-election on 12 June 2012
Mr. Liu Jianguo	Three years from the date of his re-election on 12 June 2012
Mr. Liao Enrong	Three years from the date of his re-election on 20 June 2014
Mr. Jin Maoji	Three years from the date of his re-election on 21 June 2013

Independent Non-executive Directors:

Mr. Jiang Xihe	Three years from the date of his re-election on 20 June 2014
Mr. Zhu Junsheng	Three years from the date of his re-election on 21 June 2013
Mr. Chen Shimin	Three years from the date of his re-election on 21 June 2013
Ms. Jiang Jianhua	Three years from the date of her re-election on 21 June 2013

DIRECTORS' INTERESTS IN CONTRACTS

Save as the directors' service contracts disclosed above and the connected transactions mentioned below, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the balance sheet date or at any time during the year.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE COMPANY'S ISSUED SHARES

As at 31 December 2014, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which would be required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange, pursuant to the Model Code continued in the Listing Rules.

During the reporting period, none of the Directors and chief executives of the Company or any of their associates had any interests in any securities of the Company or any of its associated corporations (as defined in the SFO). None of the Directors and chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right.

At no time during the reporting period was the Company or its holding companies or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE COMPANY'S ISSUED SHARES

As at 31 December 2014, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Name	Nature of interests	Number of securities held	Approximate percentages to the equity (%)
Fortune Apex Limited (Note 1)	Beneficial owner	458,073,024 (Long Position)	28.01 (Long Position)
Glorious Time Holdings Limited (Note 2)	Held by controlled corporation	145,962,000 (Long Position)	8.93 (Long Position)
The Capital Group Companies, Inc. (Note 3)	Held by controlled corporation	113,955,730 (Long Position)	6.97 (Long Position)
Citigroup Inc. (Note 4)	Held by controlled corporation	98,647,143 (Long Position)	6.03 (Long Position)
		94,981,039 (Lending Pool)	5.80 (Lending Pool)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE COMPANY'S ISSUED SHARES *(Continued)*

Notes:

(1) As at 31 December 2014, Fortune Apex Limited owned 28.01% interest in the issued share capital of the Company. Messrs Hu Yueming, Liu Jianguo, Lu Xun, Chen Yongdao, Li Cunzhang*, Li Shengqiang, Liao Enrong, Jin Maoji, Yao Jingsheng, Chen Zhenxing, Zhang Xueyong, Xu Yong, Wang Zhengrong and Chen Liguo (collectively, the "Management Shareholders") together own 100% interest in the issued share capital of Fortune Apex Limited. The following table sets out the shareholdings of each of the Management Shareholders in Fortune Apex Limited:

	Name	Shareholdings
1	Mr. Hu Yueming (executive Director)	30.3813%
2	Mr. Liu Jianguo (executive Director)	12.3989%
3	Mr. Lu Xun (executive Director)	10.4520%
4	Mr. ChenYongdao (executive Director)	10.5343%
5	Mr. Li Cunzhang*	8.8945%
6	Mr. Li Shengqiang (executive Director)	8.9725%
7	Mr. Liao Enrong (executive Director)	5.3422%
8	Mr. Jin Maoji (executive Director)	5.9195%
9	Mr. Yao Jingsheng	2.5678%
10	Mr. Chen Zhenxing	0.9091%
11	Mr. Zhang Xueyong	1.1286%
12	Mr. Xu Yong	0.7376%
13	Mr. Wang Zhengrong	0.6792%
14	Mr. Cheng Liguo	1.0825%
	Total	100.0000%

* Mr. Li Cunzhang passed away on 10 August 2007.

However, none of them individually controls more than one-third of the voting power at general meetings of Fortune Apex Limited and neither Fortune Apex Limited nor its directors are accustomed or obliged to act in accordance with directions or instruction of any single member of the Management Shareholders.

(2) Glorious Time Holdings Limited, a company incorporated in the BVI whose ultimate beneficial owner is Mr. Ji Changqun.

(3) The Capital Group Companies Inc. held 6.97% interest of the Company through several controlled corporations, including Capital Group International, Inc., Capital Guardian Trust Company, Capital International, Inc., Capital International Limited and Capital International Sarl.

(4) Citigroup Inc. held the relevant interest of the Company through a number of the controlled corporations, including Citigroup Global Markets Limited and Citibank N.A.

Save as disclosed above and so far as the Directors are aware of, as at 31 December 2014, there was no other person, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

INTERESTS OF CONTROLLING SHAREHOLDERS IN CONTRACTS

Save as disclosed herein, no contracts of significance had been entered into by the Company or its subsidiaries with the controlling shareholders and their subsidiaries as at the balance sheet date or at any time during the year.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2014 are set out in note 47 to the consolidated financial statements. The Directors of the Company (including our independent executive Directors) believe that the related party transactions set out in the note 47 to the consolidated financial statements are carried out in the ordinary course of business and on normal commercial terms.

No transaction listed in note 47 to the consolidated financial statements constitutes a discloseable connected transaction under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

As at 31 December 2014, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

PRE-EMPTION RIGHT

Though there are no restrictions on the grant of pre-emption right under the Cayman Laws, the Company did not grant any pre-emption rights in accordance with the Articles of Association.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the amount of sufficient public float as required under the Listing Rules throughout the year.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Deloitte Touche Tohmatsu as our auditor for 2015.

BORROWINGS

Details of the borrowings of the Group are set out in note 31 to the consolidated financial statements.

TAXATION

Details of the taxation of the Group are set out in note 11 to the consolidated financial statements.

MATERIAL LITIGATIONS AND ARBITRATIONS

During the reporting period, the Group had no material litigations and arbitrations.

By order of the Board
Hu Yueming
Chairman

Hong Kong, 27 March 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board recognizes the importance of corporate governance practice to the success of a listed company. The Company is committed to achieving high standards of corporate governance in the interest of the shareholders of the Company. This report describes the corporate governance practices of the Group, explains the applications and deviation (if any) of the principles of the Corporate Governance Code.

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2014 except for the deviation from code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual and deviation from code provision A.6.7 which states that non-executive Directors should attend general meetings of shareholders of the Company.

Mr. Hu Yueming is the Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person is beneficial to the business development and management of the Group. The Board considers that the balance of functions and power under the present arrangement will not be impaired and this arrangement will enable the Company to formulate and implement decisions promptly and efficiently.

The Company's Chairman and Chief Executive Officer, most of the independent non-executive Directors, Chairman of the Audit Committee, Chairman of the Remuneration Committee, Chairman of the Nomination Committee and external auditors have attended the 2013 Annual General Meeting, except one independent non-executive Director, who was absent from the 2013 Annual General Meeting due to the fact that he had to deal with other important matters.

CORPORATE STRATEGY AND BUSINESS MODEL

The Group has been focusing on the proprietary research and development, design, manufacture and sales of gear transmission products with high technology. Our products are widely applied in various industrial areas, customers of the Company are distributed in a number of equipment manufacturing industries around the world. In future development, the Group will strengthen the research and development, enhance product quality and increase products of different models on the basis of the original gear transmission equipment products, increase added value to products and seek diversified developments in the Group's products. At the same time, the Group will establish subsidiaries in various regions across the world to coordinate with the Group's strategy of sustainable development and increase our comprehensive corporate competitiveness.

COMPOSITION AND PRACTICES OF THE BOARD

The Board of the Company collectively takes responsibility to all the shareholders in respect of managing and supervising the business of the Group so as to enhance value for our shareholders.

COMPOSITION AND PRACTICES OF THE BOARD *(Continued)*

The Board is responsible for the leadership and control of the Company, and monitoring the business, decision-making and performance of the Group. The management was authorized by the Board the power and responsibility to manage the day-to-day affairs of the Group. The Directors specifically delegate the management to deal with major corporate affairs, including the preparation of interim report and annual report and announcement to the Board for approval, the implementation of business strategies and measures adopted by the Board, the implementation of adequate internal controls and risk management procedures, as well as the compliance of relevant statutory and regulatory requirements, rules and regulations.

The Board of the Company comprises eleven Directors, including seven executive Directors and four independent non-executive Directors. The Board held four meetings and passed five written resolutions during the year. The attendance of the Directors and members of all committees at the meetings were as follows:

	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	2013 Annual General Meeting
No. of meetings held	4	2	1	1	1
Executive Directors					
Mr. Hu Yueming *(Chairman and Chief Executive Officer)*	4/4			1/1	1/1
Mr. Chen Yongdao	3/4				1/1
Mr. Lu Xun	4/4				0/1
Mr. Li Shengqiang	4/4				0/1
Mr. Liu Jianguo	2/4		1/1		0/1
Mr. Liao Enrong	4/4				1/1
Mr. Jin Maoji	4/4				0/1
Independent non-executive Directors					
Mr. Jiang Xihe	4/4	2/2	1/1	1/1	1/1
Mr. Zhu Junsheng	4/4	2/2		1/1	0/1
Mr. Chen Shimin	4/4	2/2	1/1		1/1
Ms. Jiang Jianhua	4/4				1/1

COMPOSITION AND PRACTICES OF THE BOARD *(Continued)*

During the Period Under Review, there was no change in the composition of the Board.

Each of the non-executive Directors of the Company has entered into a service contract with the Company with a term of three years. Each of them (including the one with a specific service term) shall retire from office by rotation at least once every three years yet subject to re-election. In any event, such service term can be terminated subject to the articles of association of the Company and/or applicable laws.

Saved as disclosed in this annual report, there is no financial, business, family or other major/related relationships among the members of the Board.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent. The Company has also complied with the requirements in respect of independent non-executive directors under the Rule 3.10 and Rule 3.10A of the Listing Rules.

The Company has put in place appropriate insurance cover in respect of Directors' liability.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Hu Yueming is the Chairman and Chief Executive Officer of the Company. He is responsible for formulating the overall strategies and policies of the Company for the smooth operation and performance of duties of the Board. The Board believes that appointing the same person as the Chairman and the Chief Executive Officer is favourable to the development and management of the business of the Group while the existing balance between functions and power is not affected. Besides, it enables the Company to formulate and implement decisions in a rapid and efficient manner.

NON-EXECUTIVE DIRECTORS

The service term of non-executive Director is:

Mr. Jiang Xihe	Three years from the date of his re-election on 20 June 2014
Mr. Zhu Junsheng	Three years from the date of his re-election on 21 June 2013
Mr. Chen Shimin	Three years from the date of his re-election on 21 June 2013
Ms. Jiang Jianhua	Three years from the date of her re-election on 21 June 2013

REMUNERATION COMMITTEE

The Company established the remuneration committee on 8 June 2007. The remuneration committee comprises three members, namely Mr. Chen Shimin, Mr. Jiang Xihe and Mr. Liu Jianguo, two of which are independent non-executive Directors. Mr. Chen Shimin, an independent non-executive Directors, is the chairman of the remuneration committee.

The primary duties of the remuneration committee are to make recommendations to the Board on the Company's remuneration policy and structure, the remuneration packages of individual executive Director and senior management and the remuneration packages of non-executive Directors.

During the year, the remuneration committee held one meeting, which made proposals on the remuneration of Directors and senior management. The attendance record of each member of every committee was set out in the section entitled "Composition and Practices of the Board" on page 39.

Details of remuneration of the Directors, five highest paid individuals and senior management of the Group disclosed by band are set out in note 13 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company has established the nomination committee with effect from 1 April 2012. The nomination committee comprises three members, namely Mr. Hu Yueming, Mr. Zhu Junsheng and Mr. Jiang Xihe, the majority of whom are independent non-executive Directors. Mr. Hu Yueming, Chairman of the Board of the Company, is the chairman of the nomination committee.

The primary duties of the nomination committee are to study the proposed candidates, the selection criteria and procedure of the Company's Directors and senior management and give recommendations, and review the structure, number and composition of the Board at least once annually to implement the Company's corporate strategies.

During the year, the nomination committee held one meeting to review the structure, number, composition and policy for diversity on the Board in respect of the Company's corporate strategy. The Company has adopted the board diversity policy on 1 September 2013 and strives to select the most appropriate candidates to be appointed as a member of the Board. The nomination committee considered an appropriate balance of diversity perspectives of the Board is maintained and neither the Board nor the nomination committee has set any measurable objective implementing the Board diversity policy. When identifying suitable candidates for directorship, the nomination committee will carry out the selection process by making reference not only to the skills, experience, education background, professional knowledge, personal integrity and time commitments but also the gender, age, cultural background and ethnicity of the proposed candidates. The attendance of member of each committees set out in the section entitled "Composition and Practices of the Board" on page 39.

AUDIT COMMITEE

The Company established the audit committee on 8 June 2007 with written terms of reference which have been adopted for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Company as well as nominating and supervising the external auditor and offering advice and recommendations to the Board of the Company.

The audit committee comprises three members, namely Mr. Jiang Xihe, Mr. Zhu Junsheng and Mr. Chen Shimin, all of which are independent non-executive Directors. Mr. Jiang Xihe is the chairman of the audit committee.

During the year, the audit committee held two meetings to (i) review the 2014 reports from the management and internal audit department, and review the annual report for the year 2013 and the interim report for the year 2014 of the Group and report the review conclusions to the Board; (ii) review the independence of external auditors; and (iii) consider and approve the external auditor's fees and the letter of appointment for the year 2013. The attendance record of each member of every committee was set out in the section entitled "Composition and Practices of the Board" on page 39.

The annual report for the year ended 31 December 2014 of the Group had been reviewed by the audit committee.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for formulation of the Company's corporate governance policies and undertakes the following corporate governance roles:

(i) to develop and review the Group's corporate governance policy and practices and propose in this regard;

(ii) to review and monitor the training and ongoing professional development of the Directors and senior management;

(iii) to review and monitor the compliance of the Group's policy and practice with all laws and regulations, if applicable;

(iv) to develop, review and monitor the code of conduct and compliance guidance (if any) applicable for all employees and Directors of the Group; and

(v) to review the compliance of the Group with the disclosure requirements on corporate governance code and corporate governance report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") as its internal code of conduct regarding Directors' securities transactions. The Company has made specific enquiries of all Directors and all Directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2014.

COMPANY SECRETARY

Mr. Lui Wing Hong, Edward, Company Secretary, is responsible for facilitating the procedures of the Board and the communication among Directors, and between Directors and shareholders and the management. The biography of the company secretary is set out in the section entitled "Directors and Senior Management". During the year 2014, the company secretary received in aggregate more than 15 hours professional trainings to update his skills and knowledge.

INDUCTION TRAINING AND DEVELOPMENT

The Company arranges induction trainings for all new Directors based on his/her experience and background, these trainings generally include the brief introduction of the Group's structure and business, corporate governance practices and directors' responsibilities under the Listing Rules, etc. In addition, the Company encourages all Directors to attend relevant training programs at the Company's expenses.

During the year, the Directors received the updated information on the Group's business and operation, the directors' responsibilities under the regulations and common law, the Listing Rules, the law and other regulatory requirements. During the year, the Company arranged training sessions and/or provided training materials for Directors and the contents mainly include introduction of directors' responsibilities and the code of corporate governance under the Listing Rules. With effect from April 2012, all Directors shall provide his/her training record to the Company annually.

INDUCTION TRAINING AND DEVELOPMENT *(Continued)*

During the year, the individual training record of each Director was set out as follows:

	Readings on updates and materials on business, operation and/or corporate governance affairs	Lectures/seminars on business/ director's responsibilities attended or participated
Executive Directors		
Mr. Hu Yueming *(Chairman and Chief Executive Officer)*	✓	✓
Mr. Chen Yongdao	✓	✓
Mr. Lu Xun	✓	✓
Mr. Li Shengqiang	✓	✓
Mr. Liu Jianguo	✓	✓
Mr. Liao Enrong	✓	✓
Mr. Jin Maoji	✓	✓
Independent non-executive Directors		
Mr. Jiang Xihe	✓	✓
Mr. Zhu Junsheng	✓	✓
Mr. Chen Shimin	✓	✓
Ms. Jiang Jianhua	✓	✓

REMUNERATION OF AUDITOR

For the year ended 31 December 2014, the fees payable by the Group to Deloitte Touche Tohmatsu for their statutory audit services amounted to approximately RMB4,000,000 (2013: RMB3,450,000). The non-audit service fees included the fees for the following services:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Tax services	**220**	120
Review of interim results	**1,330**	929
	1,550	1,049

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORTS

All Directors of the Company acknowledge their responsibility for the preparation of the financial reports of the Group. They also ensure the preparation is in compliance with the relevant laws, regulations and accounting principles and its publication are made in due course.

Reporting responsibility statement with respect to the financial reports of the Group made by the auditor of the Company is set out in the Independent Auditor's Report on pages 47 to 48.

INTERNAL CONTROL

The Board takes full responsibility to maintain a sound and efficient internal control system for the Group to protect the shareholders' investment and the Group's assets, which is in the interest of the shareholders.

The audit committee has reviewed the reports for 2014 made by the management and the internal audit department, and reported its review conclusions to the Board.

The Board has reviewed the internal control system of the Group based on the reports from the management and internal audit department. The review covered all critical aspects of the control, including financial control, operational control, compliance control and risk management functions. The Board has also reviewed the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Board believed that existing internal control system was sufficient and efficient during the year under review and up to the publishing date of this annual report and accounts.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum of Association and Bye-laws during the year.

SHAREHOLDERS' RIGHTS

General meetings shall be convened on the written requisition of any two or more shareholders or a member of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisionist, which is a recognised clearing house member (or its nominee(s)), provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, all requisitionist(s) or any of them representing one-half of the total voting rights of all of them, may convene the general meeting in the same manner as that in which meetings may be convened by the Board of Directors.

There are no provision allowing shareholders to propose new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association of the Company. Shareholders who wish to propose a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

As regards the procedure of nominating a person for election as a director, please refer to the procedures available on the websites of the Company.

Shareholders of the Company may at any time send their enquiries and questions to the Board in writing through the Company Secretary or make enquiries with the Board at the general meetings of the Company. Contact details of the Company Secretary are as follows:

China High Speed Transmission Equipment Group Co., Ltd.
Room 1302, 13th Floor, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong
Tel: (852) 2891 8361
Fax: (852) 2891 8760
Email: ir@chste.com

Deloitte.
德勤

TO THE MEMBERS OF
CHINA HIGH SPEED TRANSMISSION EQUIPMENT GROUP CO., LTD.
中國高速傳動設備集團有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China High Speed Transmission Equipment Group Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 165, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standard Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair value in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Revenue	7	8,147,338	6,539,058
Cost of sales		(6,127,095)	(4,908,226)
Gross profit		2,020,243	1,630,832
Other income	8	399,563	333,530
Other gains and losses	9	(159,868)	13,143
Distribution and selling costs		(304,160)	(281,246)
Administrative expenses		(679,853)	(613,280)
Research and development costs		(167,482)	(139,274)
Other expenses		(84,000)	(229,330)
Finance costs	10	(741,608)	(564,178)
Share of results of associates		(5,686)	(7,783)
Share of results of joint ventures		29,458	(53,985)
Profit before taxation		306,607	88,429
Taxation	11	(130,925)	(57,272)
Profit for the year	12	175,682	31,157
Other comprehensive (expense) income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		41	(264)
Fair value (loss) gain on:			
Available-for-sale financial assets		(26,090)	89,283
Reclassified to profit or loss on:			
disposal of available-for-sale financial assets, net of income tax		(932)	(39,142)
Settlement of cash flow hedges		1,529	4,967
Other comprehensive (expense) income for the year		(25,452)	54,844
Total comprehensive income for the year		150,230	86,001
Profit (loss) for the year attributable to:			
Owners of the Company		208,422	64,573
Non-controlling interests		(32,740)	(33,416)
		175,682	31,157

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Total comprehensive income (expense) attributable to:			
Owners of the Company		**182,970**	119,417
Non-controlling interests		**(32,740)**	(33,416)
		150,230	86,001
Earnings per share	14		
Basic (RMB)		**0.127**	0.047
Diluted (RMB)		**n/a**	0.047

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**5,939,512**	6,632,992
Prepaid lease payments	17	**596,690**	1,034,357
Goodwill	18	**2,991**	2,991
Intangible assets	19	**230,534**	284,188
Interests in associates	20	**165,905**	172,601
Interests in joint ventures	21	**55,007**	472,587
Available-for-sale investments	22	**135,691**	165,098
Deposit for land lease	23	**280,800**	280,800
Prepayment for acquisition of property, plant and equipment		**115,832**	123,599
Deferred tax assets	24	**117,200**	168,062
		7,640,162	9,337,275
CURRENT ASSETS			
Inventories	25	**2,275,180**	2,389,806
Prepaid lease payments	17	**13,849**	22,639
Trade and other receivables	26	**7,819,484**	6,237,694
Amounts due from associates	27	**34,780**	—
Amounts due from joint ventures	28	**44,529**	33,239
Tax asset		**5,561**	47
Structured bank deposits	29	**1,097,399**	200,000
Pledged bank deposits	29	**2,756,201**	2,514,615
Bank balances and cash	29	**1,649,705**	2,235,371
		15,696,688	13,633,411
Assets classified as held for sale	15	**1,962,654**	—
		17,659,342	13,633,411

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
CURRENT LIABILITIES			
Trade and other payables	30	**4,279,154**	3,985,945
Amounts due to associates	27	**96,089**	71,462
Amount due to joint ventures	28	—	8,553
Tax liabilities		**43,067**	145,068
Borrowings	31	**7,971,209**	7,108,698
Held-for-trading financial liabilities	32	**327,072**	—
Warranty provision	33	**99,781**	55,542
Obligation under finance leases	34	**167,073**	133,333
		12,983,445	11,508,601
Liabilities directly associated with assets classified as held for sale	15	**202,923**	—
		13,186,368	11,508,601
NET CURRENT ASSETS		**4,472,974**	2,124,810
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,113,136**	11,462,085
NON-CURRENT LIABILITIES			
Borrowings	31	**2,967,562**	2,338,196
Deferred tax liabilities	24	**39,089**	19,574
Deferred income	35	**81,824**	74,418
Derivative financial instruments	36	—	1,529
Obligation under finance leases	34	**154,559**	266,667
		3,243,034	2,700,384
		8,870,102	8,761,701
CAPITAL AND RESERVES			
Share capital	37	**119,218**	119,218
Reserves		**8,569,153**	8,394,659
Equity attributable to owners of the Company		**8,688,371**	8,513,877
Non-controlling interests		**181,731**	247,824
		8,870,102	8,761,701

The consolidated financial statements on pages 49 to 165 were approved and authorised for issue by the Board of Directors on 27 March 2015 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company													
	Share capital RMB'000	Share premium RMB'000	Deemed capital contribution reserve RMB'000 (note a)	Capital reserve RMB'000 (note b)	Investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000 (note c)	Other reserve RMB'000 (note d)	Exchange reserve RMB'000	Share option reserve RMB'000 (note e)	Hedging reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2013	102,543	4,170,931	77,651	158,628	(59,587)	366,125	52,335	(910)	29,316	(6,496)	2,648,902	7,539,438	205,125	7,744,563
Profit for the year	—	—	—	—	—	—	—	—	—	—	64,573	64,573	(33,416)	31,157
Other comprehensive expense for the year	—	—	—	—	50,141	—	—	(264)	—	4,967	—	54,844	—	54,844
Total comprehensive (expense) income for the year	—	—	—	—	50,141	—	—	(264)	—	4,967	64,573	119,417	(33,416)	86,001
Shares issued	16,675	839,210	—	—	—	—	—	—	—	—	—	855,885	—	855,885
Appropriation	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capital contributions by non-controlling shareholders of subsidiaries	—	—	—	1,810	—	—	—	—	—	—	—	1,810	77,215	79,025
Acquisition of additional interest in subsidiaries	—	—	—	(2,673)	—	—	—	—	—	—	—	(2,673)	(1,100)	(3,773)
Expiration of share option	—	—	—	—	—	—	—	—	(29,316)	—	29,316	—	—	—
At 31 December 2013	119,218	5,010,141	77,651	157,765	(9,446)	366,125	52,335	(1,174)	—	(1,529)	2,742,791	8,513,877	247,824	8,761,701
Profit for the year	—	—	—	—	—	—	—	—	—	—	208,422	208,422	(32,740)	175,682
Other comprehensive expense for the year	—	—	—	—	(27,022)	—	—	41	—	1,529	—	(25,452)	—	(25,452)
Total comprehensive (expense) income for the year	—	—	—	—	(27,022)	—	—	41	—	1,529	208,422	182,970	(32,740)	150,230
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	11,391	11,391
Appropriation	—	—	—	—	—	181	—	—	—	—	(181)	—	—	—
Capital contributions by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	12,980	12,980
Acquisition of additional interest in subsidiaries	—	—	—	(8,476)	—	—	—	—	—	—	—	(8,476)	(57,724)	(66,200)
At 31 December 2014	119,218	5,010,141	77,651	149,289	(36,468)	366,306	52,335	(1,133)	—	—	2,951,032	8,688,371	181,731	8,870,102

Note a: The deemed capital contribution reserve arose from a deemed capital contribution from shareholders in 2006.

Note b: The changes in 2014 and 2013 represent the difference between the consideration and the net assets changes of subsidiaries attributable to non-controlling interest upon acquisition of additional interest in subsidiaries, and capital contribution from non-controlling shareholders.

Note c: Pursuant to relevant laws and regulations in the People's Republic of China ("PRC") and the Articles of Association of the PRC subsidiaries of the Company, the PRC subsidiaries are required to make appropriation from profit after taxation to the statutory surplus reserve at a rate of 10%. The statutory surplus reserve may be used to make up losses incurred and, with the approval from relevant government authorities, to increase capital.

Note d: The other reserve represents the net assets of Nanjing High Speed & Accurate Gear (Group) Co., Ltd ("Nanjing High Accurate"), which was contributed to the Group by the founder shareholders of Nanjing High Accurate when the founder shareholders obtained control of Nanjing High Accurate as well as the subsequent acquisition of additional equity interest in Nanjing High Accurate and contributed to the Group by the founder shareholders of Nanjing High Accurate.

Note e: As the share option were not exercised at the expiring date, the amount previously recognised in share option reserve was transferred to retained profits. Details are set out in note 38.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		306,607	88,429
Adjustments for:			
Allowance for inventories		39,223	222,878
Amortisation of intangible assets		95,310	78,969
Bank interest income		(116,417)	(84,838)
Depreciation of property, plant and equipment		629,518	551,775
Finance costs		741,608	564,178
Fair value change on held-for-trading financial liabilities		2,302	—
Loss on disposal of property, plant and equipment		529	46,115
Impairment loss on intangible assets		47,959	21,065
Impairment loss on trade and other receivables		36,041	140,541
Impairment loss on goodwill		—	14,724
Impairment loss on interest in a joint venture		—	53,000
Impairment loss on property, plant and equipment		23,119	—
Investment income recognised in profit or loss		(13,254)	—
Net foreign exchange gain arising from bank borrowing		4,917	(10,258)
Gain on disposal of available-for-sale investments		(932)	(39,142)
Loss on disposal of a joint venture		129,577	—
Gain from bargain purchase	44	(2,947)	—
Gain on disposal of a subsidiary		(3,747)	—
Release of prepaid lease payments		18,687	17,254
Share of results of associates		5,686	7,783
Share of results of joint ventures		(29,458)	53,985
Release of deferred income		(4,584)	(132,971)
Operating cash flows before movements in working capital		1,909,744	1,593,487
Inflow from new injection subsidiary		96,085	—
Increase in inventories		(75,711)	(832,180)
Increase in trade and other receivables		(1,451,666)	(1,710,298)
Net changes in amounts due from/to associates		(9,724)	493
Net changes in amounts due from/to joint ventures		(24,537)	11,120
Increase in trade and other payables		162,561	1,058,802
Increase (decrease) in warranty provision		44,239	(36,697)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Cash generated from operations		**650,991**	84,727
Income tax paid		**(169,581)**	(91,264)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**481,410**	(6,537)
INVESTING ACTIVITIES			
Placement in pledged bank deposits		**(5,445,516)**	(4,497,357)
Purchase of property, plant and equipment		**(575,562)**	(882,584)
Investment in structured bank deposits		**(1,097,399)**	(200,000)
Deposit paid for land lease		**—**	(57,981)
Prepaid lease payments paid		**(150)**	(2,249)
Prepayment for acquisition of property, plant and equipment		**(115,832)**	(123,599)
Expenditure on intangible assets		**(126,270)**	(106,416)
Acquisition of interest in an associate		**(800)**	(590)
Disposal of interest in an associate		**—**	3,530
Purchase of available-for-sale investments		**(2,400)**	(22,640)
Inflow from acquisition of subsidiaries	44	**57,290**	—
Withdrawal in pledged bank deposits		**5,184,859**	3,880,454
Outflow of disposal of a subsidiary	45	**(30,189)**	—
Capital injection in a subsidiary		**(96,085)**	—
Proceeds from disposal of an associate		**1,010**	—
Withdrawal of structured bank deposits		**200,000**	—
Other investment income received		**13,254**	—
Government grants related to non-current assets		**11,990**	28,890
Interest received		**116,417**	84,838
Dividend received from a joint venture		**25,000**	33,000
Proceeds on disposal of property, plant and equipment		**56,159**	7,184
Proceeds on disposal of available-for-sale investments		**5,717**	253,483
NET CASH USED IN INVESTING ACTIVITIES		**(1,818,507)**	(1,602,037)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
FINANCING ACTIVITIES		
New borrowings raised	12,414,001	10,960,177
Amounts raised from held-for-trading financial liabilities	324,771	—
Proceeds from sale and leaseback finance lease arrangements	54,965	400,000
Proceeds from issue of shares	—	855,885
Capital contribution by non-controlling shareholders	12,980	79,025
Repayment of borrowings	(11,061,537)	(10,240,382)
Interest paid	(778,465)	(611,489)
Repayment of obligation under finance leases	(133,333)	—
Acquisition of additional interests in subsidiaries	(66,200)	(3,773)
NET CASH FROM FINANCING ACTIVITIES	767,182	1,439,443
NET DECREASE IN CASH AND CASH EQUIVALENTS	(569,915)	(169,131)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	2,235,371	2,404,502
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	1,665,456	2,235,371

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability on 22 March 2005 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") with effect from 4 July 2007. The addresses of the registered office and principal place of business of the Company are disclosed in the section Corporate Information in the annual report.

The Company acts as investment holding. Particulars of the principal activities of its subsidiaries, associates and joint ventures are set out in notes 49, 20, and 21 respectively.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) New and revised IFRSs adopted during the year

The Group has applied for the first time in the current year the following amendments to IFRSs, and a new Interpretation:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC-Int 21	Levies

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(a) New and revised IFRSs adopted during the year *(Continued)*

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities *(Continued)*

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity, the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to International Accounting Standard ("IAS") 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. The application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(a) New and revised IFRSs adopted during the year *(Continued)*

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

IFRIC – Int 21 Levies

The Group has applied IFRIC - Int 21 Levies for the first time in the current year. IFRIC – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

IFRIC - Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2017.
4 Effective for annual periods beginning on or after 1 July 2014.
5 Effective for annual periods beginning on or after 1 January 2016.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and revised IFRSs issued but not yet effective *(Continued)*

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and revised IFRSs issued but not yet effective *(Continued)*

IFRS 9 Financial Instruments *(Continued)*

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of IFRS 9 in the future may have an impact on the amounts reported in respect of the Group's financial assets. The Group is still in the process of assessing the impact and such impact will be disclosed in the future consolidated financial statements upon the completion of a detailed review.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and revised IFRSs issued but not yet effective *(Continued)*

IFRS 15 Revenue from Contracts with Customers *(Continued)*

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and revised IFRSs issued but not yet effective *(Continued)*

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation *(Continued)*

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to IAS 19 will have an impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and revised IFRSs issued but not yet effective *(Continued)*

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted IFRS 9), or
- Using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 Consolidated Financial Statements and to IFRS 1 First-time Adoption of International Financial Reporting Standards.

The directors of the Company do not anticipate that the application of these amendments to IAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and revised IFRSs issued but not yet effective *(Continued)*

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(Continued)*

Amendments to IFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to IFRS 10 and IAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and revised IFRSs issued but not yet effective *(Continued)*

Annual Improvements to IFRSs 2010-2012 Cycle *(Continued)*

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and revised IFRSs issued but not yet effective *(Continued)*

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and

(b) the transaction meets the definition of a business combination under IFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 Interim Financial Reporting.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and revised IFRSs issued but not yet effective *(Continued)*

Annual Improvements to IFRSs 2012-2014 Cycle *(Continued)*

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to IAS 34 clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance, which for the current year, continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 of the Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes and IAS 19 Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or sharebased payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Business combinations *(Continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Investments in associates and joint ventures *(Continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

The Group's accounting policy for recognition of revenue from operation leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs increased in negotiating and arranging an operating lease and added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term. Contingent rentals are credited to profit or loss in the period in which they actually arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the statement of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax of the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Freehold land is stated at cost and is not amortised.

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Internally-generated intangible assets - research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at costs less accumulated amortisation and any accumulated impairment losses on the basis as intangible assets that are acquired separately. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

AFS financial assets

AFS financial assets are non-derivatives that are either designated or not classified as loans and receivables, held-to-maturity investments, or financial assets at fair value through profit or loss ("FVTPL").

Listed securities held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from associates/joint ventures, structured bank deposits, pledged bank deposits, bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of that investment below its costs is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 6(c).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities *(Continued)*

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to associates, amount due to joint ventures and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives (primarily interest rate swap) as hedges of the cash flow of variable-rate bank borrowings (cash flow hedges).

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains or losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Allowances for bad and doubtful debts

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicated that the balances may not be collectible. The identification of bad and doubtful debts requires the use of estimates. Where the expectation of future cash receipts is different from the original estimate, such difference will impact the carrying amounts of trade receivables and doubtful debts expenses in the year in which such estimate is changed. As at 31 December 2014, the carrying amount of trade receivables (excluding bills receivable) is RMB3,450,803,000 (net of allowance for bad and doubtful debts of RMB301,986,000) (31 December 2013: carrying amount of RMB4,172,333,000, net of allowance for bad and doubtful debts of RMB405,343,000).

Allowance for inventories

Management exercises their estimates in making allowance for inventories. Management reviews the inventory listing at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that no longer suitable for use in operation. As at 31 December 2014, the carrying amount of inventories is RMB2,275,180,000 (net of allowance for inventories of RMB358,006,000) (31 December 2013: carrying amount of RMB2,389,806,000, net of allowance for inventories of RMB336,667,000).

Useful lives and residual value of property, plant and equipment

The Group reviews the estimated useful lives and residual value of property, plant and equipment at the end of the reporting period. During the reporting period, management is satisfied that there is no change in the estimated useful lives of the property, plant and equipment from prior year. The carrying amounts of property, plant and equipment at the end of the reporting period are disclosed in note 16.

Recognition and useful lives of intangible assets

Development costs are capitalised in accordance with the accounting policy for research and development expenditures in note 3. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. The Group reviews the estimated useful lives of intangible assets at the end of each reporting period. During the reporting period, management is satisfied that there is no change in the estimated useful lives of the intangible assets from prior years. The carrying amounts of intangible assets at the end of the reporting period are disclosed in note 19.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Chief Financial Officer of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Fair value measurements and valuation processes *(Continued)*

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 6 and 36 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Income taxes

As at 31 December 2014, a deferred tax asset in relation to unused tax losses of RMB54,231,000 (2013: RMB277,524,000) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB668,550,000 (2013: RMB414,615,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Estimated impairment of goodwill/intangible assets/property, plant and equipment

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of goodwill is RMB2,991,000 (net of accumulated impairment loss of RMB14,724,000) (2013: carrying amount of RMB2,991,000, net of accumulated impairment loss of RMB14,724,000).

When there is objective evidence of impairment loss of intangible assets and property, plant and equipment, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2014, the carrying amount of intangible assets is RMB230,534,000 (net of impairment loss made for the year of RMB47,959,000) (31 December 2013: carrying amount of RMB284,188,000, net of impairment loss made for the year of RMB21,065,000).

As at 31 December 2014, the carrying amount of property, plant and equipment is RMB5,939,512,000 (net of impairment loss made for the year of RMB23,119,000) (31 December 2013: carrying amount of RMB6,632,992,000, no impairment loss made for the year).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 31, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The management of the Group reviews the capital structure regularly and taking into account of the cost and risk associated with the capital. The Group will balance its capital structure through the payment of dividends, new shares issue as well as the issue of new debt or the redemption of the existing debts.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**12,322,476**	10,243,046
Available-for-sale investments	**135,691**	165,098
Financial liabilities		
Amortised cost	**14,712,682**	12,913,354
Obligation under finance leases	**321,632**	400,000
Derivative financial instruments	**—**	1,529
Held-for-trading financial liabilities	**327,072**	—

6b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, amounts due from (to) associates/joint ventures, trade and other payables, structured bank deposits, pledged bank deposits, bank balances and cash, borrowings, obligations under finance leases and held-for-trading financial liabilities. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) Currency risk

The Group is exposed to currency risks which mainly arise from the foreign currency sales and purchases, bank balances and borrowings denominated in foreign currency. Approximately 17% (2013: 23%) of the Group's sales and 3% (2013: 3%) of the Group's purchases are denominated in currencies other than the functional currency of the respective group entities.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities including available-for-sale investments, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, borrowings and derivative financial instruments at the end of the reporting period are as follows:

Assets

	2014 RMB'000	2013 RMB'000
United States Dollars (USD)	**335,861**	657,264
Hong Kong Dollars (HKD)	**117,713**	485,035
Euro (EUR)	**116,474**	113,157
Canadian Dollars (CAD)	**15,024**	7,543
Singapore Dollar (SGD)	**8,402**	877
Japanese Yen (JPY)	**—**	3,363

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

***(i) Currency risk** (Continued)*

Liabilities

	2014 RMB'000	2013 RMB'000
United States Dollars (USD)	**685,027**	813,798
Hong Kong Dollars (HKD)	**464,007**	530,229
Euro (EUR)	**12,227**	5,941
Singapore Dollar (SGD)	**244**	—

The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk *(Continued)*

Sensitivity analysis

The Group is mainly exposed to the fluctuation of HKD, USD and EUR against RMB.

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2013: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2013: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit and investment revaluation reserve where RMB strengthen 5% (2013: 5%) against the relevant foreign currencies. For a 5% (2013: 5%) weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit and investment revaluation reserve.

	USD		HKD		EUR	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Increase (decrease) in post-tax profit/ investment revaluation reverse as a result of a 5% strengthening of RMB against the foreign currency:						
Profit or loss	**20,609**	11,548	**19,785**	6,314	**(4,284)**	(4,544)
Investment revaluation reserve	**—**	—	**(2,471)**	(4,055)	**—**	—

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings and pledged bank deposits. The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings carrying interest at prevailing interest rate and bank balances carrying interest at prevailing market deposit rates. Currently, the Group adopts a policy of maintaining an appropriate mix of fixed and floating rate borrowings which is achieved primarily through the contractual terms of borrowings. The position is regularly monitored and evaluated by reference to anticipated changes in market interest rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the rate determined by the People's Bank of China, the Hong Kong Interbank Offered Rate (the "HIBOR") and the London Interbank Offered Rate (the "LIBOR") arising from the Group's RMB and foreign currencies denominated borrowings respectively.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period and have not taken into account bank balances and cash as their impact is not expected to be significant. A 50 basis points (2013: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2013: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by RMB4,162,000 (2013: decrease/increase by: RMB8,132,000).

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable-rate borrowings and termination of interest rate swap.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Equity price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by carefully monitoring their price fluctuation. The Group's equity price risk is mainly concentrated on its available-for-sale investment quoted in the Hong Kong Stock Exchange.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is set at 15% in the current year as a result of the volatile financial market.

If equity price had been 15% higher/lower (2013: 15% higher/lower), the Group's comprehensive income would increase/decrease by RMB7,415,000 (2013: RMB12,164,000) as a result of the changes in fair value of available-for-sale investments.

(iv) Commodity price risk

The Group is exposed to commodity price risk mainly through held-for-trading financial liabilities quoted in the Shanghai Gold Exchange. The management manages this exposure by using gold forward contract that are not designated as hedging instrument.

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and discounted and endorsed bills with full recourse which were derecognised by the Group (see note 26 for details).

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The Group has concentration of credit risk in respect of bank balances, structured bank deposits and pledged bank deposits. At 31 December 2014, approximately 43% (2013: 46%) of the total bank balances, structured bank deposits and pledged bank deposits were deposited at 3 (2013: 3) banks, representing deposits at each bank with a balance exceeding 10% of total bank balances, structured bank deposits and pledged bank deposits. The credit risk on liquid funds is limited because the majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

Other than concentration of the credit risk on liquid funds which are deposited with several banks with high credit rating, the Group also has concentration of credit risks with exposure limited to certain counterparties and customers. As at 31 December 2014, five customers engaged in the wind milling industry accounted for approximately 45% (2013: 41%) of the Group's trade receivables. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk. Other than the above, there is no other concentration of credit risk on the Group's trade receivables.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on borrowings as a significant source of liquidity. At 31 December 2014, the Group's total borrowings (note 31) amounted to approximately RMB11,004 million (2013: RMB9,447 million). Subsequent to the end of the reporting period, the Group has renewed RMB729 million of existing bank facilities. The directors of the Company are of the opinion that the bank loans could be renewed as historical experience is such that the Group has no difficulty to obtain the renewal.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms, other than discounted and endorsed bills with full recourse which were derecognised by the Group (see note 26 for details) and discussed elsewhere in these consolidated financial statements. The table has been based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The table includes both interest and principal cash flows. To the extent that interest flows are for floating rate instruments, the undiscounted amount is derived based on interest rate outstanding at the end of each reporting period.

	Weighted average effective interest rate	On demand, 0 - 30 days	31 - 90 days	91 - 365 days	1 - 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2014							
Non-derivative financial liabilities							
Trade and other payables	—	1,974,466	441,844	1,195,579	—	3,611,889	3,611,889
Amounts due to associate	—	2,520	—	93,998	—	96,518	96,518
Obligation under finance leases	7.90	—	44,135	129,141	172,258	345,534	321,632
Borrowings	6.34	1,726,795	1,301,943	5,763,987	3,436,046	12,228,771	11,004,275
Held-for-trading financial liabilities		—	—	327,072	—	327,072	327,072
		3,703,781	1,787,922	7,509,777	3,608,304	16,609,784	15,361,386
2013							
Non-derivative financial liabilities							
Trade and other payables	—	2,057,168	686,626	642,651	—	3,386,445	3,386,445
Amounts due to associates	—	71,462	—	—	—	71,462	71,462
Amounts due to joint ventures	—	8,553	—	—	—	8,553	8,553
Obligation under finance leases	6.15	—	39,620	115,529	285,373	440,522	400,000
Borrowings	5.39	1,048,605	2,212,418	4,140,588	2,571,902	9,973,513	9,446,894
		3,185,788	2,938,664	4,898,768	2,857,275	13,880,495	13,313,354
Derivative – net settlement							
Interest rate swap		(497)	(950)	2,979	—	1,532	1,529

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Basis of fair value measurement/valuation technique and key input	Significant unobservable input	Relationship of unobservable inputs to fair value
	31.12.2014	31.12.2013				
1) Interest rate swaps classified as derivative financial instruments in the consolidated statement of financial position	Nil	Liabilities (designated for hedging) – RMB1,529,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Listed equity securities classified as available-for-sale investments in the consolidated statements of financial position	Listed equity securities in Hong Kong: – Manufacturing industry – RMB49,415,000	Listed equity securities in Hong Kong: – Manufacturing industry – RMB81,092,000	Level 1	Quoted bid prices in an active market.	N/A	N/A
3) Held-for- trading financial liabilities	Derivative financial liabilities at FVTPL – RMB327,072,000	Nil	Level 2	Based on the quoted prices of the underlying commodity.	N/A	N/A

There were no transfers between Level 1 and 2 in the year.

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value measurements of financial instruments *(Continued)*

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

The directors of the company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value.

(iii) Categorisation of fair value measurements into different levels of the fair value hierarchy

The Group's fair value hierarchy is as follows:

	Fair value hierarchy					
	At 31 December 2014			At 31 December 2013		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Financial assets:						
Available-for-sale investments (note 22)	49,415	—	49,415	81,092	—	81,092
Financial liabilities:						
Held-for-trading financial liabilities (note 32)	327,072	—	327,072	—	—	—
Derivative financial instrument (note 36)	—	—	—	—	1,529	1,529
	327,072	—	327,072	—	1,529	1,529

7. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the amounts received and receivable for goods sold, net of sales taxes and return. The Group's major operation is the manufacture and sale of gear products.

The Group is organised in one business division only. The Group's chief operating decision maker (the "CODM"), being the Company's Board of Directors, make decisions according to the revenue and operating results of each geographical area by location of customers and the related reports on the ageing analysis of trade receivables for the purposes of resources allocation and performance assessment. Accordingly the Group's operating segments are based on geographical location of customers.

7. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

No information of liabilities is provided to CODM for the assessment of performance of different geographical area. Therefore only segment revenue, segment results and segment assets are presented.

PRC, the United States of America (the "USA") and Europe are three major operating segments reviewed by the CODM while the remaining market locations are grouped together to report to CODM for analysis.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments for the year under review.

	2014 RMB'000	2013 RMB'000
Segment revenue		
– PRC	**6,782,672**	5,236,462
– USA	**1,178,110**	1,175,261
– Europe	**65,236**	52,918
– Others	**121,320**	74,417
	8,147,338	6,539,058
Segment profit		
– PRC	**1,420,153**	1,114,950
– USA	**437,991**	444,477
– Europe	**33,106**	11,203
– Others	**8,629**	6,841
	1,899,879	1,577,471
Other income, gains and losses	**55,899**	118,788
Finance costs	**(741,608)**	(564,178)
Share of results of associates	**(5,686)**	(7,783)
Share of results of joint ventures	**29,458**	(53,985)
Unallocated expenses	**(931,335)**	(981,884)
Profit before taxation	**306,607**	88,429

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the gross profit (including depreciation of production plants), government grants, sales of scraps and materials, and distribution and selling costs earned/incurred by each segment. The remaining items in the profit or loss are unallocated.

7. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segment assets

	2014 RMB'000	2013 RMB'000
Segment assets		
– PRC	**6,206,181**	4,633,555
– USA	**146,268**	501,913
– Europe	**105,552**	30,883
– Others	**37,116**	22,045
Total segment assets	**6,495,117**	5,188,396
Unallocated assets	**18,804,387**	17,782,290
Consolidated total assets	**25,299,504**	22,970,686

Only trade receivables of each segment are reported to the CODM for the purposes of resources allocation and performance assessment. Hence, total segment assets represent the trade receivables of the Group while the unallocated assets represent the assets of the Group excluding trade receivables. The related impairment loss on trade receivables are not reported to the CODM as part of segment results.

Other segment information

2014

	PRC RMB'000	USA RMB'000	Europe RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit:						
Write-down of inventories	32,743	4,688	1,125	667	—	39,223
Depreciation of production plants	489,460	84,345	7,478	8,575	39,660	629,518
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:						
Impairment loss recognised on trade receivables	36,041	—	—	—	—	36,041
Impairment loss on intangible assets	47,959	—	—	—	—	47,959

7. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Other segment information *(Continued)*

2013

	PRC RMB'000	USA RMB'000	Europe RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit:						
Write-down of inventories	178,639	39,795	2,451	1,993	—	222,878
Depreciation of production plants	408,188	90,930	5,602	4,552	42,503	551,775
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:						
Impairment loss recognised on trade receivables	135,527	1,687	3,327	—	—	140,541
Impairment loss on goodwill	14,724	—	—	—	—	14,724
Impairment loss on intangible assets	21,065	—	—	—	—	21,065

7. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Revenue from major product and services

The following is an analysis of the Group's revenue from its major products:

	2014 RMB'000	2013 RMB'000
Wind gear transmission equipment	**5,801,985**	4,140,327
Gear transmission equipment for bar-rolling, wire-rolling and plate-rolling mills	**277,243**	455,939
Gear transmission equipment for construction materials	**327,527**	362,512
Marine gear transmission equipment	**350,417**	340,523
Diesel engine products	**151,990**	181,052
Computer numerical controlled products	**225,325**	238,255
General purpose gear transmission equipment	**63,230**	63,539
Transmission equipment for high-speed locomotives, metros and urban light rails	**157,623**	106,308
High-speed heavy-load gear transmission equipment	**14,712**	10,961
Others	**777,286**	639,642
	8,147,338	6,539,058

Others mainly include the revenue from metallurgical engineering and equipment, boiler products, transmission parts and mining equipment.

7. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Geographical information

The Group's non-current assets by location of assets at the end of the reporting period are detailed below.

	Non-current assets	
	2014	2013
	RMB'000	RMB'000
PRC	**7,283,972**	8,967,063
USA	**90,281**	36,869
Others	**13,018**	183
	7,387,271	9,004,115

Note: The non-current assets exclude available-for-sale investments and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2014	2013
	RMB'000	RMB'000
Customer A[1]	**1,234,177**	1,165,980
Customer B[2]	**906,118**	N/A[3]
Customer C[2]	**892,254**	N/A[3]

1 Revenue from sale of wind gear transmission equipment in the USA segment.

2 Revenue from sale of wind gear transmission equipment in the PRC segment.

3 The corresponding revenue did not contribute over 10% of the total sales of the Group.

8. OTHER INCOME

	2014 RMB'000	2013 RMB'000
Sales of scraps and materials	46,978	72,655
Bank interest income	116,417	84,838
Government grants (Note)	136,818	155,230
Rental income	29,145	8,981
Investment income	13,254	—
Others	56,951	11,826
	399,563	333,530

Note: The amounts mainly represent subsidies or incentives received from PRC local governments for the operations carried out by the Group. The amount includes release of deferred income of RMB4,584,000 (2013: RMB132,971,000).

9. OTHER GAINS AND LOSSES

	2014 RMB'000	2013 RMB'000
Gain on disposal of available-for-sale investments	932	39,142
Net exchange (losses) gains	(32,139)	20,116
Loss on disposal of a joint venture (note 21)	(129,577)	—
Gain on disposal of a subsidiary	3,747	—
Loss on disposal of property, plant and equipment	(530)	(46,115)
Changes in fair value of held-for-trading financial liabilities	(2,301)	—
	(159,868)	13,143

10. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interests on bank borrowings wholly repayable within five years	**778,465**	611,489
Less: amount capitalised	**(36,857)**	(47,311)
	741,608	564,178

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.34% (2013: 6.14%) per annum to expenditure on qualifying assets.

11. TAXATION

	2014 RMB'000	2013 RMB'000
Current tax		
– PRC Enterprise Income Tax	**47,300**	156,374
– USA Corporate Income Tax	**100**	123
	47,400	156,497
Under (over) provision in prior years		
– PRC Enterprise Income Tax	**13,148**	(1,020)
Deferred tax charge (credit) (note 24)	**70,377**	(98,205)
	130,925	57,272

No provision for Hong Kong Profits Tax and Singapore income tax has been made as the Group has no assessable profit arising in Hong Kong and Singapore, respectively.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2013: 25%).

11. TAXATION *(Continued)*

The following subsidiaries are qualified as high technology development enterprises and thus subject to a preferential tax rate of 15% for 3 years from the date of approval:

Name of subsidiary	Year ended during which approval was obtained	Year ending during which approval will expire
Nanjing High Speed Gear Manufacturing Co., Ltd.	31 December 2014	31 December 2016
Nanjing High Accurate Marine MEquipment Co., Ltd.	31 December 2014	31 December 2016
Nanjing High Speed & Accurate Gear (Group) Co., Ltd	31 December 2014	31 December 2016
Nanjing Gaote Gear Box Manufacturing Co., Ltd.	31 December 2012	31 December 2014
Nanjing Gaochuan Sky Digital Control Equipment Manufacturing Co., Ltd.	31 December 2012	31 December 2014
CHSTE (Beijing) Shougao Metallurgical Engineering & Equipment Co., Ltd.	31 December 2012	31 December 2014
Zhenjiang Tongzhou Propeller Co., Ltd.	31 December 2013	31 December 2015

The EIT Law imposes withholding tax upon the distribution of the profits earned by the PRC subsidiaries on or after 1 January 2008 to their overseas shareholders. At 31 December 2014, deferred tax liabilities of RMB17,199,000 (2013: RMB17,199,000) has been recognised in the consolidated financial statements in respect of the temporary differences attributable to such undistributed profits, details of which are set out in note 24.

11. TAXATION *(Continued)*

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 RMB'000	2013 RMB'000
Profit before taxation	**306,607**	88,429
Tax at income tax rate of 25% (2013: 25%)	**76,652**	22,107
Tax effect of share of results of associates and joint ventures	**(5,943)**	15,442
Tax effect of expenses not deductible for tax purpose	**41,519**	40,671
Tax effect of income not taxable for tax purpose	**(1,761)**	(101)
Tax effect of tax losses not recognised	**75,517**	47,042
Utilisation of tax losses previously not recognised	**(18,747)**	(155)
Income tax on concessionary rate	**(49,501)**	(66,765)
Under (over) provision in respect of prior years	**13,148**	(1,020)
Effect of different tax rate of a subsidiary operating in a jurisdiction other than PRC	**41**	51
Tax charge for the year	**130,925**	57,272

12. PROFIT FOR THE YEAR

	2014 RMB'000	2013 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Total staff costs, including directors' emoluments (note 13)	**1,231,354**	1,116,800
Less: staff cost included in research and development costs	**(78,889)**	(71,990)
staff cost included in intangible assets	**(11,415)**	(7,710)
	1,141,050	1,037,100
Auditor's remuneration	**4,000**	3,450
Write-down of inventories (included in cost of sales)	**39,223**	222,878
Cost of inventories recognised as an expense	**6,113,118**	4,681,511
Depreciation of property, plant and equipment	**629,518**	551,775
Amortisation of prepaid lease payments	**18,687**	17,254
Amortisation of intangible assets	**95,310**	78,969
Net exchange losses (gains)	**32,139**	(20,116)
Loss on disposal of a joint venture	**129,577**	—
Gain on disposal of a subsidiary	**(3,747)**	—
Loss on disposal of property, plant and equipment	**529**	46,115
Impairment losses on intangible assets (included in other expenses)	**47,959**	21,065
Impairment losses on trade and other receivables (included in other expenses) (note)	**36,041**	140,541
Impairment losses on goodwill (included in other expenses)	**—**	14,724
Impairment losses on interests in a joint venture (included in other expenses)	**—**	53,000
Impairment loss on property, plant and equipment (included in cost of sales)	**23,119**	—

Note: During the year ended 31 December 2014, the Group provided RMB36,041,000 (2013: RMB140,541,000) of impairment loss on trade receivables. The Group assesses the recoverable amount of receivables and impairment has been made for the difference between recoverable amounts and carrying amounts.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to directors for both years are as follows:

	2014 RMB'000	2013 RMB'000
Directors		
– fee	550	440
– salaries and other allowances	21,979	21,979
– retirement benefit plan contributions	371	371
Total emoluments	22,900	22,790

	2014				2013			
	Fee RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000	Fee RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Hu Yueming	—	3,397	53	3,450	—	3,397	53	3,450
Chen Yongdao	—	3,097	53	3,150	—	3,097	53	3,150
Lu Xun	—	3,097	53	3,150	—	3,097	53	3,150
Li Shengqiang	—	3,097	53	3,150	—	3,097	53	3,150
Liu Jianguo	—	3,097	53	3,150	—	3,097	53	3,150
Liao Enrong	—	3,097	53	3,150	—	3,097	53	3,150
Jin Maoji	—	3,097	53	3,150	—	3,097	53	3,150
Chen Shimin	150	—	—	150	120	—	—	120
Zhu Junsheng	150	—	—	150	120	—	—	120
Jiang Xihe	150	—	—	150	120	—	—	120
Jiang Jianhua	100	—	—	100	80	—	—	80
	550	21,979	371	22,900	440	21,979	371	22,790

Mr Hu Yueming is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees

The five highest paid individuals of the Group for both years are all directors, details of their emoluments are set out above.

Their emoluments were within the following bands:

	2014 No. of employees	2013 No. of employees
HK$3,500,001 to HK$4,000,000	4	4
HK$4,000,001 to HK$4,500,000	1	1
	5	5

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2014 RMB'000	2013 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	208,422	64,573

14. EARNINGS PER SHARE *(Continued)*

	2014	2013
	'000	'000
Number of shares		
Number of ordinary shares (2013: weighted average number of ordinary shares) for the purpose of basic and diluted earnings per share	**1,635,291**	1,372,451

No diluted earnings per share is presented for the year ended 31 December 2014 as there was no potential dilutive shares in issue.

The computation of diluted earnings per share for the year ended 31 December 2013 did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price for shares in 2013. Accordingly, the diluted earnings per share is same as the basic earnings per share for the year ended 31 December 2013.

15. ASSETS AND LIABILITES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During the year, the Group, through its wholly-owned subsidiary, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. ("Nanjing Drive"), commenced preliminary discussion with non-controlling shareholders of Zhong-Chuan Heavy Duty Equipment Co., Ltd ("Zhong-Chuan") for the disposal of Zhong-Chuan. As the same time, the Group also plan to dispose its wholly-owned subsidiary, Nanjing Gaote Gear Box Manufactory Co., Ltd ("Nanjing Gaote"). In October 2014, pursuant to a directors meeting of Nanjing Drive, it was resolved to proceed with any negotiation which may lead to the disposal. The Group actively locate potential buyers since then.

On 20 January 2015, Nanjing Drive entered into an agreement (the "Disposal Agreement") with a purchaser (the "Purchaser"), pursuant to which Nanjing Drive agreed to sell or procure the sale to the Purchaser's nominee and the Purchaser agreed to procure purchase of the equity interest in Zhong-Chuan and Nanjing Gaote for an aggregate consideration of RMB500 million. In addition, the Purchaser shall repay or procure repayment of debts of RMB1,000 million owed by Nanjing Drive.

Before the disposal, Nanjing Dive owned 68% equity interest in Zhong-Chuan and the remaining 32% interest was owned by other parties. Nanjing Drive agreed to transfer and procure transfer of its 60% interest in Zhong-Chuan together with another 20% interest owned by three out of four minority shareholders to the Purchaser's nominee. As transaction is expected to be completed in 2015, the assets and liabilities of Zhong-Chuan were classified as held for sale in the consolidated statement of financial position as at 31 December 2014.

15. ASSETS AND LIABILITES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(Continued)*

In addition, Nanjing Drive agreed to transfer and procure transfer of the Group's 100% interest in Nanjing Gaote to the Purchaser's nominee. After the disposal, the Company will cease to hold any interest in Nanjing Gaote which will no longer be a subsidiary of the Company.

At 31 December 2014, it is considered that the disposal is highly probable and accordingly, the assets and liabilities of Zhong-Chuan and Nanjing Gaote were classified as held for sale in the consolidated statement of financial position at the end of the reporting period. The assets and liabilities of the subsidiaries are as follows:

	2014 RMB'000
ASSETS	
Property, plant and equipment	1,067,362
Prepaid lease payments – non current	437,358
Intangible assets	36,655
Interests in associates	800
Interests in joint ventures	28,500
Inventories	219,314
Prepaid lease payments – current	9,079
Trade and other receivables	124,045
Amount due from joint ventures	4,694
Pledged bank deposits	19,071
Bank balances and cash	15,751
Tax asset	25
Assets of a disposal group classified as held for sale	1,962,654
LIABILITIES	
Trade and other payables (note)	(136,990)
Amount due to associates	(429)
Borrowings	(65,504)
Liabilities of a disposal group classified as held for sale	(202,923)
Net assets directly associated with the disposal group (note)	1,759,731

Note: The above amounts do not include amounts due to group companies amounting to RMB1,262,851,000, which will be disposed of upon completion of the transaction.

If the amounts due to group companies are taken into consideration, the net assets directly associated with the disposal group would be approximately RMB496,880,000.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Fixture and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Software RMB'000	Total RMB'000
COST									
At 1 January 2013	17,343	1,860,723	4,326,703	188,914	260,563	1,429,775	1,162	11,293	8,096,476
Additions	—	8,001	36,895	3,684	5,299	944,906	—	1,138	999,923
Transfer	—	473,616	391,426	18,668	35,142	(922,332)	—	3,480	—
Disposals	—	(81,841)	(21,299)	(4,574)	(2,334)	—	—	—	(110,048)
At 31 December 2013	17,343	2,260,499	4,733,725	206,692	298,670	1,452,349	1,162	15,911	8,986,351
Additions	—	122	99,945	13,352	1,875	647,661	—	411	763,366
Acquired on acquisition of subsidiaries	—	42,628	213,676	911	1,613	61,013	—	—	319,841
Transfer	—	109,918	220,706	6,043	2,754	(343,067)	—	3,646	—
Disposals	—	—	(57,719)	(1,298)	(6,492)	(31,314)	—	—	(96,823)
Transfer to assets of a disposal group classified as held for sale	—	(100,535)	(208,247)	(23,902)	(9,906)	(860,821)	—	(378)	(1,203,789)
At 31 December 2014	**17,343**	**2,312,632**	**5,002,086**	**201,798**	**288,514**	**925,821**	**1,162**	**19,590**	**8,768,946**
DEPRECIATION									
At 1 January 2013	—	217,056	1,354,272	116,133	161,589	—	1,162	8,121	1,858,333
Provided for the year	—	68,021	413,242	27,484	41,397	—	—	1,631	551,775
Eliminated on disposals	—	(36,294)	(14,244)	(4,146)	(2,065)	—	—	—	(56,749)
At 31 December 2013	—	248,783	1,753,270	139,471	200,921	—	1,162	9,752	2,353,359
Provided for the year	—	81,545	487,068	23,241	35,755	—	—	1,909	629,518
Eliminated on disposals	—	—	(32,889)	(1,192)	(6,054)	—	—	—	(40,135)
Transfer to assets of a disposal group classified as held for sale	—	(20,415)	(90,275)	(18,648)	(6,977)	—	—	(112)	(136,427)
At 31 December 2014	—	**309,913**	**2,117,174**	**142,872**	**223,645**	—	**1,162**	**11,549**	**2,806,315**
IMPAIRMENT									
At 1 January 2013 and 31 December 2013	—	—	—	—	—	—	—	—	—
Provided for the year	—	—	—	—	—	23,119	—	—	23,119
At 31 December 2014	—	—	—	—	—	**23,119**	—	—	**23,119**
CARRYING VALUES									
At 31 December 2014	**17,343**	**2,002,719**	**2,884,912**	**58,926**	**64,869**	**902,702**	—	**8,041**	**5,939,512**
At 31 December 2013	17,343	2,011,716	2,980,455	67,221	97,749	1,452,349	—	6,159	6,632,992

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The carrying values of plant and machinery includes an amount of RMB442,887,000 (2013: RMB453,348,000) in respect of assets held under finance leases.

The Group is in the process of obtaining property certificates for the buildings above with carrying amount of RMB1,330,079,000 (2013: RMB1,341,279,000) at the end of reporting period.

The freehold land is situated in the USA.

The above items of property, plant and equipment other than freehold land and construction in progress are depreciated on a straight line basis, after taking into account their estimated residual value, at the following rates per annum:

Buildings	2.8% - 6.5%
Plant and machinery	9.7% - 19.4%
Fixture and equipment	9.7% - 19.4%
Transportation equipment	16.2%
Leasehold improvements	Over the shorter of the lease terms or 3 years
Software	20%

During the year, the directors reviewed the performance or usage of property, plant and equipment and identified that certain of the assets have been impaired. Accordingly, an impairment loss of RMB23,119,000 (2013: nil) was made to write down the carrying amount of these assets to nil.

17. PREPAID LEASE PAYMENTS

	2014 RMB'000	2013 RMB'000
Medium-term land use rights in the PRC	**610,539**	801,996
Analysed for reporting purpose as:		
Current assets	**13,849**	17,539
Non-current assets	**596,690**	784,457
	610,539	801,996

The amount represents land use rights for leasehold interest in land situated in the PRC with usage rights of 50 years.

Included in medium-term prepaid lease payments are land use rights located in the PRC with carrying amount of RMB289,961,000 (2013: RMB544,961,000). The Group is in the process of obtaining these land use rights certificates.

18. GOODWILL

	Goodwill RMB'000
COST	
Balance at 1 January 2013, 31 December 2013 and 31 December 2014	**17,715**
IMPAIRMENT	
Balance at 1 January 2013	—
Provided for the year (note)	14,724
Balance at 31 December 2013 and 31 December 2014	**14,724**
CARRYING AMOUNTS	
At 31 December 2014	**2,991**
At 31 December 2013	2,991

Note: During the year ended 31 December 2013, expected future cash flow dropped mainly due to reduction in budgeted future sales. Accordingly, the Group recognised a full impairment loss of RMB14,724,000 in relation to goodwill arising on acquisition of two cash generating units ("CGUs") engaged on manufacture and sales of propellers and manufacture and sales of diesel engines, respectively.

For the purposes of impairment testing, the carrying value of goodwill has been allocated to the CGU as follows:

	2014 RMB'000	2013 RMB'000
Engineering processing and manufacturing ("Unit A")	**2,991**	2,991

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections bases on financial budgets approved by management covering a five-year period and discount rate of 11% (2013:11%). Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on these units' past performance and management's expectations for the market development.

At 31 December 2014, management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Unit A to exceed the recoverable amount of the CGU. As a result, the management determined that there is no impairment loss to be recognised in relation to goodwill arising on acquisition of Unit A.

19. INTANGIBLE ASSETS

	Development costs RMB'000	Technical know-how RMB'000	Total RMB'000
COST			
At 1 January 2013	492,893	39,163	532,056
Additions	103,956	2,460	106,416
At 31 December 2013	596,849	41,623	638,472
Additions	126,270	—	126,270
Transferred to assets of a disposal group classified as held for sale	(39,987)	—	(39,987)
At 31 December 2014	**683,132**	**41,623**	**724,755**
AMORTISATION AND IMPAIRMENT			
At 1 January 2013	248,102	6,148	254,250
Charge for the year	76,542	2,427	78,969
Impairment loss recognised in the year	21,065	—	21,065
At 31 December 2013	345,709	8,575	354,284
Charge for the year	93,236	2,074	95,310
Impairment loss recognised in the year	47,959	—	47,959
Transferred to assets of a disposal group classified as held for sale	(3,332)	—	(3,332)
At 31 December 2014	**483,572**	**10,649**	**494,221**
CARRYING VALUES			
At 31 December 2014	**199,560**	**30,974**	**230,534**
At 31 December 2013	251,140	33,048	284,188

19. INTANGIBLE ASSETS *(Continued)*

Development costs are internally generated for the Group's self-developed new products. Technical know-how were acquired from third parties or purchased as part of a business combination in prior years. The intangible assets have finite useful lives, and are amortised on a straight-line basis over the following periods:

Development costs	5 years
Technical know-how	5 - 10 years

During the year ended 31 December 2014, an impairment loss of approximately RMB47,959,000 (2013: RMB21,065,000) was recognised due to insufficient sales order for these development projects.

20. INTERESTS IN ASSOCIATES

Details of the Group's interests in associates are as follows:

	2014 RMB'000	2013 RMB'000
Cost of unlisted investments in associates	**190,895**	191,905
Accumulated share of post-acquisition results	**(24,990)**	(19,304)
	165,905	172,601

At 31 December 2014, included in the cost of investments in associates is goodwill of RMB11,491,000 (2013: RMB11,491,000) arising on acquisitions of associates in prior years. There is no unrecognised share of losses in associates on 31 December 2014 and 2013.

20. INTERESTS IN ASSOCIATES *(Continued)*

Details of each of the Group's material associates at the end of the reporting period are as follow:

Name of entity	Form of business structure	Country of establishment/ principal place of operation	Proportion of nominal value of registered capital and proportion of voting power held by the Group		Principal activity
			2014	2013	
南通富來威農業裝備有限公司 Nantong FLW Agricultural Equipment Co. Ltd. ("Nantong FLW")	PRC equity joint venture	PRC	**49.58%**	49.58%	Manufacture and sales of agriculture equipment
南京伊晶能源有限公司 Nanjing E-crystal Energy Co., Ltd. ("Nanjing E-crystal")	PRC equity joint venture	PRC	**29.63%**	29.63%	Manufacture and sales of LED material
長源(南京)鑄造有限公司 Chang Yuan (Nanjing) Casting Co. Ltd. ("Nanjing Changyuan")	PRC equity joint venture	PRC	**30%**	30%	Manufacture and sales of metal casting

The above table lists the associates of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

20. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates

Summarised financial information in respect of each of the three (2013: three) Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

(1) Nantong FLW

	2014 RMB'000	2013 RMB'000
Current assets	99,632	117,064
Non-current assets	80,343	81,413
Current liabilities	(44,768)	(47,153)

	2014 RMB'000	2013 RMB'000
Revenue	40,561	42,121
Loss for the year	(16,117)	(10,013)
Total comprehensive expense for the year	(16,117)	(10,013)
Dividends received from the associate during the year	—	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 RMB'000	2013 RMB'000
Net assets of Nantong FLW	135,207	151,324
Proportion of the Group's ownership interest in Nantong FLW	49.58%	49.58%
Goodwill	1,470	1,470
Carrying amount of the Group's interest in Nantong FLW	68,505	76,496

20. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(2) Nanjing E-crystal

	2014 RMB'000	2013 RMB'000
Current assets	**143,265**	125,974
Non-current assets	**72,244**	44,285
Current liabilities	**(87,672)**	(43,580)

	2014 RMB'000	2013 RMB'000
Revenue	**38,753**	5,421
Profit (loss) for the year	**1,158**	(2,241)
Total comprehensive income (expense) for the year	**1,158**	(2,241)
Dividends received from the associate during the year	**—**	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 RMB'000	2013 RMB'000
Net assets of Nanjing E-crystal	**127,837**	126,679
Proportion of the Group's ownership interest in Nanjing E-crystal	**29.63%**	29.63%
Carrying amount of the Group's interest in Nanjing E-crystal	**37,878**	37,535

20. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(3) Nanjing Changyuan

	2014 RMB'000	2013 RMB'000
Current assets	**49,484**	56,076
Non-current assets	**64,229**	61,206
Current liabilities	**(78,397)**	(82,703)

	2014 RMB'000	2013 RMB'000
Revenue	**19,676**	129,494
Profit (loss) for the year	**737**	(8,111)
Total comprehensive income (expense) for the year	**737**	(8,111)
Dividends received from the associate during the year	**—**	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 RMB'000	2013 RMB'000
Net assets of Nanjing Changyuan	**35,316**	34,579
Proportion of the Group's ownership interest in Nanjing Changyuan	**30%**	30%
Goodwill	**9,707**	9,707
Carrying amount of the Group's interest in Nanjing Changyuan	**20,302**	20,081

20. INTERESTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material

As at 31 December 2014, there are five (2013: five) associates that are not individually material to the Group, and their aggregate information is as follows:

	2014 RMB'000	2013 RMB'000
The Group's share of profit from continuing operations	**1,741**	279
The Group's share of total comprehensive income	**1,741**	279
Aggregate carrying amount of the Group's interest in these associates	**39,220**	38,489

21. INTERESTS IN JOINT VENTURES

	2014 RMB'000	2013 RMB'000
Cost of unlisted investments in joint ventures	**10,000**	587,120
Accumulated share of post-acquisition results, net of dividend received	**45,007**	(61,533)
Less: impairment loss recognised (note)	—	(53,000)
	55,007	472,587

Note: On 6 January 2014, the Group disposed of its 50.01% equity interest in 江蘇省宏晟重工集團有限公司("Jiangsu Hongsheng"), which was the group's only material joint venture at 31 December 2013, to one of the joint venture partners ("Hongsheng JV Partner") in Jiangsu Hongsheng at an agreed price of RMB338,168,000 in exchange for the acquisition of control in three subsidiaries owned by Jiangsu Hongsheng. At the date of disposal, the investment cost in Jiangsu Hongsheng was RMB 548,620,000, accumulated share of post-acquisition losses was RMB102,082,000 and the impairment loss was RMB 53,000,000. The transaction has resulted in a loss of RMB55,370,000. In addition, the fair value of the consideration for the acquisition of the three subsidiaries is made reference to the fair value of net assets of the three subsidiaries at the dates of their acquisition and resulted in a loss of RMB74,207,000 (note 44). The aggregate loss of RMB129,577,000 as a result of disposing Jiangsu Hongsheng was included in other gain and loss during the year ended 31 December 2014.

21. INTERESTS IN JOINT VENTURES *(Continued)*

Details of the Group's material joint venture at the end of the reporting period are as follow:

Name of entity	Form of business structure	Country of establishment/ principal place of operation	Proportion of nominal value of registered capital and proportion of voting power held by the Group		Principal activity
			2014	2013	
南京高精工程設備有限公司 Nanjing High Accurate Construction Equipment Co., Ltd ("Nanjing Construction")	PRC equity joint venture	PRC	50%	50%	Metallurgical engineering and manufacturing

Summarised financial information of material joint venture

Summarised financial information of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint venture is accounted for using the equity method in this consolidated financial statements.

Nanjing Construction

	2014 RMB'000	2013 RMB'000
Current assets	413,366	418,745
Non-current assets	2,013	2,149
Current liabilities	(305,365)	(330,507)
Non-current liabilities	—	—
The above amounts of assets and liabilities include the following:		
Cash and cash equivalent	17,672	14,607
Current financial liabilities (excluding trade and other payables and provisions)	—	—

21. INTERESTS IN JOINT VENTURES *(Continued)*

Summarised financial information of material joint venture *(Continued)*

Nanjing Construction *(Continued)*

	2014 RMB'000	2013 RMB'000
Revenue	388,470	407,256
Profit or loss from continuing operations	56,971	59,531
Profit for the year	56,971	59,531
Other comprehensive income for the year	—	—
Total comprehensive income for the year	56,971	59,531
Dividends received from Nanjing Construction during the year	25,000	33,000

The above profit for the year include the following:

	2014 RMB'000	2013 RMB'000
Depreciation and amortisation	(390)	(357)
Interest income	410	141
Income tax expense	(5,957)	(10,140)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Nanjing Construction recognised in the consolidated financial statements:

	2014 RMB'000	2013 RMB'000
Net assets of Nanjing Construction	110,014	90,387
Proportion of the Group's ownership interest in Nanjing Construction	50%	50%
Carrying amount of the Group's interest in Nanjing Construction	55,007	45,194

21. INTERESTS IN JOINT VENTURES *(Continued)*

Information of joint venture that is not individually material

As at 31 December 2014, there is nil (2013: one) other joint venture that is not individually material to the Group, and the information is as follows:

	2014 RMB'000	2013 RMB'000
The Group's share of profit from continuing operations	—	3,220

22. AVAILABLE-FOR-SALE INVESTMENTS

		2014 RMB'000	2013 RMB'000
Equity securities listed in Hong Kong, at fair value	(1)	**49,415**	81,092
Unlisted equity securities issued by private entities established in the PRC, at cost	(2)	**86,276**	84,006
		135,691	165,098

Notes:

(1) On 2 December 2011, the Group entered into a cornerstone agreement ("the Cornerstone Investment Agreement") with, amongst other parties, 國電科技環保集團股份有限公司Guodian Technology & Environment Group Corporation Limited ("Guodian Tech"), a joint stock limited company incorporated in the PRC with limited liability, to the proposed USD40,000,000 (equivalent to approximately RMB254,879,000) equity investment in Guodian Tech. Upon the listing of Guodian Tech's shares on the Hong Kong Stock Exchange on 30 December 2011, the Cornerstone Investment Agreement is completed and 144,100,000 H shares of Guodian Tech each priced at HKD2.16 are issued to the Group, which accounts for 12.12% of the total issued H share, and 2.42% of the total issued shares of Guodian Tech at 30 December 2011.

In 2013, the Group disposed of 92,007,000 H shares of Guodian Tech. In the current year, the Group disposed of a further 2,000,000 H share of Guodian Tech, which had been carried at fair value before disposal. A gain on disposal of RMB932,000 (2013: RMB39,142,000) has been recognised and shown under other gain and losses in the current year.

At 31 December 2014, the amount represents the Group's 50,093,000 H shares (2013: 52,093,000 H shares) in Guodian Tech, measured at fair value at end of reporting period.

(2) The amount represents the investments in unlisted equity securities issued by private entities established in the PRC and are held by the Group as non-current assets, which are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

23. DEPOSIT FOR LAND LEASE

	2014 RMB'000	2013 RMB'000
Deposit for land lease	**280,800**	280,800

The amount represents deposit for land lease with total consideration of approximately RMB664 million (2013: RMB664 million) which has been paid partly in relation to the acquisition of land leases situated in the PRC and the transfer is subject to the approval of the PRC government. During the year, deposit for land lease amounted to nil (2013: RMB113,223,000) had been transferred to prepaid lease payments account.

24. DEFERRED TAX

The followings are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the year:

	Doubtful debts allowance RMB'000	Inventories allowance RMB'000	Capitalisation of development costs RMB'000 (note)	Withholding tax RMB'000	Deferred income RMB'000	Warranty provision RMB'000	Tax loss RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	(45,677)	(15,301)	46,759	17,199	(21,122)	(13,836)	(16,526)	(1,779)	(50,283)
(Credit) charge to profit or loss (note11)	(20,477)	(32,601)	2,601	—	751	5,505	(52,855)	(1,129)	(98,205)
At 31 December 2013	(66,154)	(47,902)	49,360	17,199	(20,371)	(8,331)	(69,381)	(2,908)	(148,488)
Charge (credit) to profit or loss (note11)	15,051	(3,259)	(9,496)	—	(2,443)	(5,924)	58,132	18,316	70,377
At 31 December 2014	**(51,103)**	**(51,161)**	**39,864**	**17,199**	**(22,814)**	**(14,255)**	**(11,249)**	**15,408**	**(78,111)**

Note: The development costs were deductible for tax purpose in the year they were incurred while they were capitalised and subject to amortisation in the consolidated financial statements.

24. DEFERRED TAX *(Continued)*

The following is the analysis of the deferred tax balances for financial reporting presentation purposes:

	2014 RMB'000	2013 RMB'000
Deferred tax assets	**(117,200)**	(168,062)
Deferred tax liabilities	**39,089**	19,574
	(78,111)	(148,488)

At 31 December 2014, the Group has unused tax losses of RMB722,781,000 (2013: RMB692,139,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB54,231,000 (2013: RMB277,524,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB668,550,000 (2013: RMB414,615,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits.

Under the EIT Law, starting from 1 January 2008, 10% withholding income tax is imposed on dividends relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. Deferred tax has been provided for in respect of the temporary differences attributable to such portion of profits and no deferred taxation has been provided for the remaining profits of approximately RMB3,591 million as at 31 December 2014 (2013: RMB3,591 million) as the Group is able to control the timing of the distribution and it is probable that the amount will not be distributed in the foreseeable future. The Group has applied the preferential rate of 5% as all the Company's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong.

25. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	**416,731**	493,343
Work in progress	**969,935**	1,084,470
Finished goods	**888,514**	811,993
	2,275,180	2,389,806

26. TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Accounts receivable	**3,752,789**	4,577,676
Bills receivable	**3,044,314**	1,016,063
Less: allowance for doubtful debts of accounts receivable	**(301,986)**	(405,343)
Total trade receivables	**6,495,117**	5,188,396
Advances to suppliers	**956,639**	776,293
Value-added tax recoverable	**193,809**	201,580
Other receivables	**176,449**	73,955
Less: allowance for doubtful debts of other receivable	**(2,530)**	(2,530)
Total trade and other receivables	**7,819,484**	6,237,694

26. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group generally allows a credit period of 180 days to its trade customers. The following is an aged analysis of the trade receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2014 RMB'000	2013 RMB'000
0 - 90 days	**4,313,551**	2,518,390
91 - 120 days	**529,655**	529,705
121 - 180 days	**524,310**	889,187
181 - 365 days	**719,570**	929,522
1 - 2 years	**377,192**	238,719
Over 2 years	**30,839**	82,873
	6,495,117	5,188,396

The trade receivable balances of RMB5,367,516,000 (2013: RMB3,937,282,000) are neither past due nor impaired at the end of the reporting period for which the Group has not provided for impairment loss since they are mainly the customers with good quality. No impairment loss was made on advance to suppliers since they are with good credit quality.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB1,127,601,000 (2013: RMB1,251,114,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable as there are continuing subsequent settlement.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Ageing of trade receivables which are past due but not impaired

	2014 RMB'000	2013 RMB'000
181 - 365 days	**719,570**	929,522
1 - 2 years	**377,192**	238,719
Over 2 years	**30,839**	82,873
Total	**1,127,601**	1,251,114

Movement in the allowance for doubtful debts for trade receivables

	2014 RMB'000	2013 RMB'000
Balance at beginning of the year	**405,343**	264,802
Acquisition of subsidiaries	**436**	—
Impairment losses recognised on trade receivables	**36,041**	140,541
Amounts written off as uncollectible	**(134,487)**	—
Transfer to assets of a disposal group classified as held for sale	**(5,347)**	—
Balance at end of the year	**301,986**	405,343

Movement in the allowance for doubtful debts for other receivables

	2014 RMB'000	2013 RMB'000
Balance at beginning of the year	**2,530**	—
Impairment losses recognised on other receivables	**—**	2,530
Balance at end of the year	**2,530**	2,530

Included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB304,516,000 (2013: RMB407,873,000) which have either been placed under liquidation or in financial difficulties. The Group does not hold any collateral over these balances.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Transfers of financial assets

The following were the Group's financial assets that were transferred to suppliers to settle its payables by endorsing those bills receivable on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and the payables to suppliers. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

Bills receivable endorsed to suppliers with full recourse

	2014 RMB'000	2013 RMB'000
Carrying amount of transferred assets	**451,721**	165,718
Carrying amount of associated liabilities	**(451,721)**	(165,718)
Net position	**—**	—

In addition to the above, as at 31 December 2014, the Group has discounted certain bills receivable to banks and transferred certain bills receivables to its suppliers to settle its payables through endorsing the bills to its suppliers, both with full recourse. The Group has derecognised these bills receivables and the payables to suppliers in their entirety as in the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers under the relevant PRC practice, rule and regulations. In the opinion of the directors of the Company, the Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing bank fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Transfers of financial assets *(Continued)*

As at 31 December 2014, the Group's maximum exposure to loss and cash outflow, which is same as the amount payable by the Group to collecting banks or the suppliers in respect of the discounted bills and endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB545,000,000 and RMB451,721,000, respectively (2013: RMB462,344,000 and RMB803,280,000, respectively).

All the bills receivable discounted to banks or endorsed to suppliers of the Group have a maturity date of less than six months from the end of the reporting period.

27. AMOUNTS DUE FROM/TO ASSOCIATES

	2014 RMB'000	2013 RMB'000
Amounts due from:		
Nanjing Longwin Windpower Equipment Manufacturing Co., Ltd.		
("Nanjing Longwin") - prepayment	28,777	—
Nanjing E-crystal - prepayment	6,003	—
	34,780	—
Amounts due to:		
Nantong FLW - other payables	2,091	4,178
Nanjing Longwin - trade payable	—	671
Nanjing E-crystal - construction payable	93,998	66,613
	96,089	71,462

The trade balances with associates are all aged within 180 days. The amounts are unsecured, interest-free and repayable within 180 days. The above amounts due to associates are repayable on similar credit terms to those offered by the Group's related parties to their major customers.

28. AMOUNTS DUE FROM/TO JOINT VENTURES

	2014 RMB'000	2013 RMB'000
Amounts due from:		
Nanjing Construction – trade receivables	**18,610**	33,239
Nanjing Construction – dividend receivables	**25,000**	—
山東能源集團中傳重裝礦用設備製造有限公司 Shandong Energy Machinery Group Zhong-Chuan Heavy Duty Mine Equipment Manufacturing Co., Ltd. ("Shandong Heavy Duty")	**919**	—
	44,529	33,239
Amounts due to:		
Jiangsu Hongsheng	—	7,467
Shandong Heavy Duty	—	1,086
	—	8,553

The amounts due from Nanjing Construction and Shandong Heavy Duty relate to trade balances and aged within 180 days. The amount is unsecured, interest-free and repayable within 180 days. The above amounts due to joint ventures are repayable on similar credit terms to those offered by the Group's related parties to their major customers.

29. STRUCTURED BANK DEPOSITS/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

At the end of the reporting period, structured bank deposits represent foreign currency or interest rate or commodity price linked structured bank deposits ("SBDs") placed by the Group to various banks in the PRC for a term ranging from one day to 180 days (2013: one bank for a term 38 days). Pursuant to the relevant underlying agreements, the SBDs carry interest at variable rate per annum with reference to the performance of interest rate or commodity price during the investment period and the principal sums are denominated in RMB fixed and guaranteed by the banks. In the opinion of the directors of the Group, the fair value of embedded derivatives does not have material impacts on the results and financial position of the Group.

At the end of the reporting period, the pledged bank deposits carry fixed interest rate of 2.8% (2013: 2.8%) per annum and are pledged to secure banking facilities (note 40).

At the end of the reporting period, bank balances carry interest at prevailing market deposit rates which range from 0.07% to 0.35% (2013: 0.07% to 0.35%) per annum.

30. TRADE AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Accounts payable	**1,600,661**	1,634,477
Notes payable (Note)	**1,608,515**	1,260,378
Total trade payables	**3,209,176**	2,894,855
Advances from customers	**373,214**	416,563
Purchase of property, plant and equipment	**175,289**	241,165
Payroll and welfare payables	**158,547**	172,002
Accrued expenses	**197,489**	132,075
Value-added and other tax payable	**41,663**	39,605
Deferred income	**11,256**	11,256
Other payables	**112,520**	78,424
	4,279,154	3,985,945

Note: Notes payable are secured by certain of the Group's assets, details of which are set out in note 40.

The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	2014 RMB'000	2013 RMB'000
0 - 30 days	**966,795**	978,386
31- 60 days	**637,576**	496,827
61 - 180 days	**1,143,915**	1,174,685
181 - 365 days	**345,111**	157,730
Over 365 days	**115,779**	87,227
	3,209,176	2,894,855

The credit period on purchases of goods is 30 days to 180 days.

31. BORROWINGS

	2014 RMB'000	2013 RMB'000
Bank loans	**7,208,671**	7,446,894
Short-term unsecured commercial papers (Note 1)	**800,000**	700,000
Medium-term notes (Note 2)	**1,000,000**	500,000
Private placement bond (Note 3)	**800,000**	800,000
Guaranteed bonds (Note 4)	**630,100**	—
Monetary direct financing instruments (Note 5)	**500,000**	—
	10,938,771	9,446,894
Secured	**3,450,925**	1,933,042
Unsecured	**7,487,846**	7,513,852
	10,938,771	9,446,894
Carrying amount repayable*:		
Within one year	**7,971,209**	6,877,171
More than one year, but not exceeding two years	**214,337**	1,382,696
More than two years, but not more than five years	**2,753,225**	955,500
	10,938,771	9,215,367
Carrying amount of an unsecured syndicated loan that is repayable on demand due to breach of covenants (shown under current liabilities)	**—**	231,527
	10,938,771	9,446,894
Less: Amounts due within one year shown under current liabilities	**(7,971,209)**	(7,108,698)
Amounts due over one year	**2,967,562**	2,338,196

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

31. BORROWINGS *(Continued)*

Note 1: In January 2014, Nanjing High Speed Gear Manufacturing Co., Ltd, a wholly-owned subsidiary of the Group, issued an unlisted and unsecured short-term commercial paper of RMB800,000,000, which carries an interest rate of 8.7% per annum and shall be repayable in January 2015. The balance at 31 December 2013 represented unsecured short-term commercial paper of RMB 700,000,000 issued by the same subsidiary in February 2013 repayable in February 2014 and carried an interest rate at 5.3% per annum.

Note 2: In May 2013, Nanjing Drive, a wholly-owned subsidiary of the Group, issued an unlisted and unsecured medium-term notes of RMB500,000,000, which carries an interest rate of 6.2% per annum and shall be repayable in May 2018.

In April 2014, Nanjing Drive issued another unlisted and unsecured medium-term notes of RMB500,000,000, which carries an interest rate of 8.5% per annum and shall be repayable in April 2019.

Note 3: In September 2013, Nanjing Drive issued an unlisted and unsecured private placement bond of RMB800,000,000, which carries an interest of 7% per annum and shall be repayable in September 2015.

Note 4: In November 2014, the Company issued guaranteed bonds(the "Guaranteed Bonds"), which is listed in the Hong Kong Stock Exchange, with a principal amount of RMB650,000,000 bearing interest at the coupon rate of 8.3% per annum, which will mature on 19 November 2017. The Guaranteed Bonds are guaranteed by subsidiaries of the Group, namely Goodgain Group Limited and China Transmission Holdings Limited.

Note 5: In December 2014, Nanjing Drive issued an unsecured monetary direct financing instruments of RMB500,000,000, which carries an interest rate ranging from 7.3% to 7.4% per annum and shall be repayable in December 2015.

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates (or reset dates) are as follows:

	2014 RMB'000	2013 RMB'000
Fixed-rate borrowings:		
Within one year	**6,727,841**	4,539,216
More than one year	**2,133,600**	1,383,571
	8,861,441	5,922,787

In addition, the Group has variable-rate borrowings of RMB2,077,330,000 (2013: RMB3,524,107,000) which carry interest rates based on the rate of People's Bank of China prescribed interest rate, the HIBOR or the LIBOR.

31. BORROWINGS *(Continued)*

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2014 %	2013 %
Effective interest rate:		
Fixed-rate borrowings	4.73 - 9.77	2.69 - 6.90
Variable-rate borrowings	1.41 - 6.72	1.41 - 6.72

As at 31 December 2014, the Group's borrowings that are denominated in currencies other than RMB (the functional currency of relevant group entities) are USD110,000,000, and HKD587,820,000, which are equivalent to RMB673,090,000 and RMB463,731,000 respectively (2013: USD132,420,000, and HKD672,500,000, which are equivalent to RMB807,031,000 and RMB528,720,000). All other bank borrowings are denominated in RMB.

The above secured borrowings at the end of the reporting period were secured by pledge of assets, details of which are set out in note 40.

32. HELD-FOR-TRADING FINANCIAL LIABILITIES

	Closing fair value RMB'000	Opening fair value RMB'000
Financial liabilities designated as fair value through profit and loss	320,280	—
Derivative financial liabilities	6,792	—
	327,072	—

During the year ended 31 December 2014, Nanjing High Speed Gear Manufacturing Co., Ltd ("Nanjing High Speed") entered into a gold commodity agreement with the bank for financing purpose. According to terms of the agreement, Nanjing High Speed borrows commodity gold from the bank, which permits such gold commodity to be sold to third parties, and Nanjing High Speed is obliged to return gold with same quality and weight to the bank when the agreement expires in September 2015. The obligation to return the gold is recognised as financial liability. At 31 December 2014, the held-for-trading financial liabilities are stated at fair value of gold as quoted in the open market. The Group manage its risk exposure to gold return obligation arising from fluctuation of gold market price, by using gold forward contract that are not designated as hedging instrument.

33. WARRANTY PROVISION

	RMB'000
Balance at 1 January 2013	92,239
Provided for the year	5,906
Utilised during the year	(42,603)
Balance at 31 December 2013	55,542
Acquisition of subsidiary	808
Provided for the year	78,220
Utilised during the year	(34,789)
Balance at 31 December 2014	**99,781**

At the end of the reporting period, the amount represents the directors' best estimate of the expected cost that will be required under the Group's obligations for warranties under sale of goods. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality, included in the provision for the year ended 31 December 2014 was RMB47,900,000 (2013: nil), which represented a special one-off warranty agreed upon with a customer in 2014.

34. OBLIGATIONS UNDER FINANCE LEASES

	2014 RMB'000	2013 RMB'000
Analysed for reporting purposes as:		
Current liabilities	**167,073**	133,333
Non-current liabilities	**154,559**	266,667
	321,632	400,000

34. OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

At 31 December 2014, the two financial leases entered into in respect of certain property, plant and equipment have terms of 2.5 years and 3 years respectively at their respective inception dates (2013: one finance lease of 3 years). Interest rates are fixed at 9.53% and 6.12% per annum (2013: 6.12% per annum). The Group has option to purchase property, plant and equipment for a notional amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases within one year	**173,276**	155,149	**167,073**	133,333
In more than one year but not more than two years	**164,978**	146,835	**148,692**	133,333
In more than two years but not more than five years	**7,280**	138,538	**5,867**	133,334
	345,534	440,522	**321,632**	400,000
Less: future finance charges	**(23,902)**	(40,522)	**N/A**	N/A
Present value of lease obligations	**321,632**	400,000	**321,632**	400,000
Less: Amount due for settlement within 12 month (shown under current liabilities)			**(167,073)**	(133,333)
			154,559	266,667

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets, and guaranteed by a wholly-owned subsidiary of the Group, Nanjing Drive.

35. DEFERRED INCOME

At the end of the reporting period, the amount represent the grants received from the PRC government for the Group's acquisition of assets for technology development, and will be released to income over the useful lives of the relevant assets.

36. DERIVATIVE FINANCIAL INSTRUMENTS

	2014 RMB'000	2013 RMB'000
Cash flow hedge- interest rate swaps	—	(1,529)

Since 2012, the Group uses interest rate swaps as hedging instruments in order to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of these borrowings from floating rates to fixed rates. All the interest rate swaps were settled in April 2014.

Major terms of the interest rate swaps at 31 December 2013:

Notional amount	Maturity	Swaps
HKD78,750,000	18 April 2014	From HIBOR+2.05% to 2.80%
HKD183,750,000	11 April 2014	From HIBOR+2.05% to 2.87%
USD1,237,500	18 April 2014	From LIBOR+2.05% to 2.80%
USD2,887,500	11 April 2014	From LIBOR+2.05% to 2.93%

As at 31 December 2013, fair value loss RMB1,529,000 had been recognised in the other comprehensive income and accumulated in equity and were released to the consolidated statement of profit or loss and other comprehensive income upon the payment of interest expense in accordance with the terms as stipulated in the bank borrowing agreements.

The above derivatives are measured at fair value which is estimated using valuation technique with reference to interest yield and discounted cash flow analysis.

36. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The movement of the derivative financial instruments for the year is set out below:

	Interest rate swap	
	2014	2013
	RMB'000	RMB'000
At 1 January	**(1,529)**	(6,496)
Loss for the year recognised in other comprehensive income	**1,529**	4,967
At 31 December	**—**	(1,529)

37. SHARE CAPITAL

	Number of shares (in thousand)	Amount USD'000	Equivalent to RMB'000
Ordinary shares of USD0.01 each			
Authorised:			
At 1 January 2013, 31 December 2013 and 31 December 2014	3,000,000	30,000	234,033
Issued and fully paid:			
At 1 January 2013	1,362,743	13,627	102,543
Issued on placement (Note)	272,548	2,725	16,675
At 31 December 2013 and 31 December 2014	**1,635,291**	**16,352**	**119,218**

Note: On 19 December 2013, the Company issued and allotted a total of 272,548,000 shares of HK$3.98 each to Glorious Time Holdings Limited and other new shareholders of 255,962,000 shares and 16,586,000 shares respectively. The proceeds were used to provide additional working capital for the Company.

38. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 8 June 2007 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 8 June 2017. Under the Scheme, the Board of Directors of the Company may grant options to:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and

(iv) such other persons who, in the sole opinion of the Board of Directors, will contribute or have contributed to the Group. The assessment criteria of which are:

- contribution to the development and performance of the Group;
- quality of work performed for the Group;
- initiative and commitment in performing his/her duties; and
- length of service or contribution to the Group

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders to refresh the said limit to not exceed 30% of the issued share capital of the Company from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or any of their associates in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

Option granted must be taken up within 12 months of the date of grant, upon payment of HKD1 per grant. Options may be exercised at any time after the date upon which the option is deemed to be granted and accepted and prior to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and must be at least the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

38. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements of the Company's share options held by employees during the year ended 31 December 2013:

Date of grant	Exercise price HKD	Exercisable period	Outstanding at 1.1.2012	Exercised during the year	Expired during the year	Outstanding and exercisable at 31.12.2013
6 November 2008	5.6	6.11.2008 to 5.11.2013	11,714,800	—	(11,714,800)	—

The estimated fair value of the options on the date of grant is RMB30,030,000 and has been fully recognised in the employee benefit expenses in profit or loss for the year ended 31 December 2008.

No share option has been exercised till the expiring date of 5 November 2013.

There was no share options issued during the current year and no share option is outstanding at 31 December 2014.

39. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Commitments contracted for but not provided in the consolidated financial statements in respect of:		
– the acquisition of land leases	83,400	83,400
– the acquisition of property, plant and equipment	453,065	567,364
	536,465	650,764

40. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to banks to secure banking facilities granted to the Group and pledged to suppliers to settle its payables:

	2014 RMB'000	2013 RMB'000
Bank deposits	**2,756,201**	2,514,615
Accounts receivable	**451,271**	418,304
Bills receivable	**1,196,721**	241,066
Property, plant and equipment	**66,274**	68,767
Prepaid lease payments	**25,062**	25,273
Structured bank deposits	**153,499**	—
	4,649,028	3,268,025

At the end of the reporting period, the Group also pledged its 25% equity interest in Nanjing High Speed, a wholly-owned subsidiary, for banking facilities granted to the Group.

41. OPERATING LEASES

Minimum lease payments paid under operating leases during the year:

	2014 RMB'000	2013 RMB'000
Factory and office premises	**10,320**	7,783

At the end of the reporting period, the Group had outstanding commitments payable under non-cancellable operating leases in respect of factory and office premises which fall due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	**8,384**	3,197
In the second to fifth year inclusive	**1,270**	2,459
	9,654	5,656

Operating lease payments represent rentals payable by the Group for leasehold land and office premises. The leasehold land is negotiated for a fixed term of 10 years. The leases of the office premises are negotiated annually. Rentals are fixed over the lease terms.

42. RETIREMENT BENEFIT PLANS

The employees of the PRC subsidiaries are members of a state-managed retirement pension scheme operated by local social security bureaux in the PRC. The PRC subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement pension scheme to fund the benefits. The only obligation of the Group with respect to the retirement pension scheme is to make the specified contributions. The Group also operates a Mandatory Provident Fund Scheme for all employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the scheme, which contribution is matched by the employees. The costs charged to profit or loss during the year were RMB122,200,000 (2013: RMB100,831,000). All the contributions had been paid over to these schemes as at the end of the reporting period.

43. CONTINGENT LIABILITIES

The Group entered an agreement (the "Agreement") with a third party (the "Subcontractor"), pursuant to which effective from 1 January 2013, the Group assigns the Subcontractor and the Subcontractor agrees to repair certain of the wind gear products sold for the Group at a fixed fee at 2.5% of annual sales of those wind gear products of the Group (the "Fixed Fee"). The Group is not liable for any additional cost incurred by the Subcontractor in relation to the repair of those wind gear products, other than the Fixed Fee.

The Subcontractor however has not entered into any agreements with the wind gear products' customers for the repair services. In the event of closure, liquidation, or inability of the Subcontractor to provide those repair services, the Group is still liable for such repair obligations should those customers claim for that against the Group. In the opinion of the directors, based on their experience, the financial position of the Subcontractor and their assessment of the current economic environment, the possibility of the default or inability by the Subcontractor to carry out the obligation is remote. Accordingly, no provision for the repair obligation has been made in the consolidated financial statements at the end of the reporting period.

44. ACQUISITION OF SUBSIDIARIES

As part of the disposal of joint venture as detailed in Note 21, on 6 January 2014, the Group acquired from Jiangsu Hongsheng, which was a former joint venture of the Group, 100% equity interest in 如皋市宏茂廢舊金屬回收有限公司 Rugao Hongmao Obsolete Metal Recycling Co., Ltd. ("Rugao Hongmao"), 95% equity interest in 南通市振華宏晟重型鍛壓有限公司 Nantong Zhenhua Hongsheng Heavy Metal Forging Co., Ltd. ("Nantong Zhenhua") and 100% equity interest in 如皋市宏茂鑄鋼有限公司 Rugao Hongmao Steel Co., Ltd. ("Hongmao Steel"). Rugao Hongmao is principally engaged in the recycling and sales of steel scrap. Nantong Zhenhua is principally engaged in the steel forging. Hongmao Steel is principally engaged in the manufacturing and sales of steel ingot. The subsidiaries were acquired with the objective of rationalising the Group's purchase of raw materials.

On 30 July 2014, the Group acquired from a third party, a 70% equity interest in 南京京澤照明科技有限公司 Nanjing Jingze Lighting Technology Co., Ltd. ("Jingze Lighting"), which has a 100% interest in 南京京澤照明工程有限公司 Nanjing Jingze Lighting Engineering Co., Ltd. ("Jingze Lighting Engineering"). Jingze Lighting and Jingze Lighting Engineering are both principally engaged in manufacturing, sales and installation of Light Emitting Diode ("LED") lighting. The subsidiaries were acquired so as to continue the expansion of the Group's activities on LED.

Consideration at fair value transferred

	RMB'000
Rugao Hongmao, Nantong Zhenhua and Hongmao Steel	167,876
Jingze Lighting	1,500
Jingze Lighting Engineering	2,000
Total consideration transferred	171,376
Amount paid in cash	3,500
Amount to be set off (note 46)	167,876
Total consideration transferred	171,376

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

Assets and liabilities recognised at the date of acquisition

	Rugao Hongmao RMB'000	Nantong Zhenhua RMB'000	Hongmao Steel RMB'000	Jingze Lighting RMB'000	Jingze Lighting Engineering RMB'000	Total RMB'000
Current assets						
Bank and cash balances	18	613	59,712	279	168	60,790
Inventories	—	63,673	111,186	4,192	335	179,386
Trade and other receivables	26,526	178,887	231,945	5,413	5,907	448,678
	26,544	243,173	402,843	9,884	6,410	688,854
Non-current assets						
Property, plant and equipment	6	318,159	113,766	1,515	162	433,608
Prepaid lease payments	—	17,475	5,920	—	—	23,395
	6	335,634	119,686	1,515	162	457,003
Current liabilities						
Trade and other payables	(21,646)	(220,800)	(419,361)	(6,106)	(738)	(668,651)
Tax liabilities	—	—	—	(573)	(919)	(1,492)
Borrowings	—	(200,000)	(90,000)	—	—	(290,000)
	(21,646)	(420,800)	(509,361)	(6,679)	(1,657)	(960,143)
Net assets	4,904	158,007	13,168	4,720	4,915	185,714

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

Non-controlling interests

The non-controlling interest (5%) in Nantong Zhenhua recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Nantong Zhenhua and amounted to approximately RMB7,900,000.

The non-controlling interest (30%) in Jingze Lighting and its subsidiary Jingze Lighting Engineering recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets and amounted to approximately RMB3,491,000.

Goodwill arising on acquisition

	Rugao Hongmao RMB'000	Nantong Zhenhua RMB'000	Hongmao Steel RMB'000	Jingze Lighting RMB'000	Jingze Lighting Engineering RMB'000	Total RMB'000
Consideration at fair value	4,601	150,107	13,168	1,500	2,000	171,376
Plus: Non-controlling interest	—	7,900	—	2,016	1,475	11,391
Less: Recognised amount of identifiable net assets acquired	(4,904)	(158,007)	(13,168)	(4,720)	(4,915)	(185,714)
Bargain purchase consideration	(303)	—	—	(1,204)	(1,440)	(2,947)

Net cash inflow arising on acquisition

	RMB'000
Consideration receivable on disposal of Jiangsu Hongsheng (note 21)	338,168
Consideration payable on acquisition of Rugao Hongmao, Nantong Zhenhua and Hongmao Steel	(167,876)
Fair value loss on acquisition of subsidiaries (note 21)	(74,207)
Amount payable to the former joint venture	(96,085)
Consideration paid in cash for Jingze Lighting and Jingze Lighting Engineering	3,500
Less: cash and cash equivalent balances acquired	(60,790)
	(57,290)

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2014 is RMB75,000 loss attributable to Rugao Hongmao, RMB4,921,000 loss attributable to Nantong Zhenhua, RMB545,000 profit attributable to Jingze Lighting and RMB973,000 profit attributable to Jingze Lighting Engineering. Hongmao Steel did not contribute significantly since it was acquired on 6 January 2014 and disposed shortly on 9 Febuary 2014 (note 44). Revenue for the year includes RMB2,887,000 which is attributable to Rugao Hongmao, RMB408,851,000 attributable to Nantong Zhenhua, RMB15,115,000 attributable to Jingze Lighting and RMB4,605,000 attributable to Jingze Lighting Engineering.

45. DISPOSAL OF A SUBSIDIARY

During the current year, the Group entered into an agreement to dispose of its 100% equity interest in Hongmao Steel to an unrelated third party, which was newly acquired on 6 January 2014 (note 44). The purpose of the disposal is to remove non-core business of the Group. The disposal was completed on 9 February 2014, on which date the Group lost control of Hongmao Steel.

The results of the Hongmao Steel since its acquisition on 6 January 2014 to 9 February 2014, the date of disposal for the current year was as follows:

	RMB' 000
Revenue	33,305
Cost of sales	(31,833)
Distribution expense	(151)
Administrative expense	(275)
Finance costs	(576)
Profit before tax	470
Income tax expense	—
Profit for the period	470

45. DISPOSAL OF A SUBSIDIARY *(Continued)*

The net assets of Hongmao Steel at the date of disposal and the resulting loss on disposal recognised were as follows:

	RMB'000
Net assets disposed of	109,723
Net profit between acquisition date and disposal date	(470)
	109,253
Gain on disposal recognised and charged to profit or loss	3,747
Total consideration	113,000
Satisfied by:	
Deferred cash consideration (note)	113,000
Net cash outflow arising on disposal:	
Total cash consideration received	—
Bank balances and cash disposed of	(30,189)
	(30,189)

Note: Pursuant to the relevant agreements, the deferred consideration, which is unsecured and interest free, is included under trade and other receivables in the consolidated statement of financial position at 31 December 2014, as it will be settled by the buyer by installments on or before 10 December 2015.

46. MAJOR NON-CASH TRANSACTIONS

During the year, pursuant to agreements entered into among relevant parties and the Group, the amount of approximately RMB338,168,000 receivable on the disposal of Jiangsu Hongsheng was set off with amount as set out in note 44.

47. RELATED PARTY DISCLOSURES

During the year, other than those disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties:

(I) Related party transactions

During the year, the Group entered into the following transactions with related parties:

Name of company	Relationship	Nature of transactions	2014 RMB'000	2013 RMB'000
Nanjing Longwin	Associate	Purchase of goods	**97,838**	24,062
Jiangsu Hongsheng (note)	Joint venture	Purchase of goods	—	27,808
Nanjing Construction	Joint venture	Sales of goods	**33,502**	31,465
		Purchase of goods	**463**	10,490
		Rental income	**331**	331
		Service income	**73**	—
		Utility charge income	**91**	—
Nantong FLW	Associate	Technology development Income	—	3,000
Nanjing E-crystal	Associate	Purchase of goods	—	6,440
		Purchase of property, plant and equipment	**30,840**	10,840
Shandong Heavy Duty	Joint venture	Sales of goods	**16,270**	20,855
		Purchase of goods	—	1,291
Nanjing Yuhuatai District Saihong Bridge Office 南京雨花台賽虹橋街道辦事處	Holding company of a non-controlling shareholder of a subsidiary	Rental expenses	**1,206**	1,206

Note: Jiangsu Hongsheng cease to be joint venture upon disposal in January 2014, details are set out in note 21.

(II) Compensation of key management personnel

Other than the emolument paid to the directors of the Company, who are also considered as the key management of the Group as set out in note 13, the Group did not have any other significant compensation to key management personnel.

48. FINANCIAL INFORMATION OF THE COMPANY

	2014 RMB'000	2013 RMB'000
Assets		
Investments in subsidiaries and amounts due from subsidiaries	5,646,503	5,148,034
Fixture and equipment	2	2
Available-for-sale investments	49,415	81,092
Other receivables	57,015	58,760
Bank balances and cash	206,277	282,031
	5,959,212	5,569,919
Liabilities		
Other payables	9,579	6,109
Amounts due to subsidiaries	8,835	1,888
Borrowings	823,381	373,043
Derivative financial instruments	—	1,529
	841,795	382,569
	5,117,417	5,187,350
Capital and reserves		
Share capital	119,218	119,218
Reserves	4,998,199	5,068,132
	5,117,417	5,187,350

48. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Movement in reserves

	Distributable reserves RMB'000	Deemed capital contribution reserve RMB'000	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Hedging reserve RMB'000	Total RMB'000
At 1 January 2013	4,201,423	77,651	(59,587)	29,316	(6,496)	4,242,307
Issue of shares	839,210	—	—	—	—	839,210
Expiration of share option	29,316	—	—	(29,316)	—	—
Loss for the year	(68,493)	—	—	—	—	(68,493)
Other comprehensive income for the year	—	—	50,141	—	4,967	55,108
Total comprehensive (expense) income for the year	(68,493)	—	50,141	—	4,967	(13,385)
At 31 December 2013	5,001,456	77,651	(9,446)	—	(1,529)	5,068,132
Loss for the year	(44,440)	—	—	—	—	(44,440)
Other comprehensive expense for the year	—	—	(27,022)	—	1,529	(25,493)
Total comprehensive (expense) income for the year	(44,440)	—	(27,022)	—	1,529	(69,933)
At 31 December 2014	**4,957,016**	**77,651**	**(36,468)**	—	—	**4,998,199**

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's material subsidiaries at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment/operation	Issued and fully paid share capital/ registered capital	Equity interest indirectly held by the Company 2014 %	2013 %	Principal activities
Nanjing High Speed & Accurate Gear (Group) Co., Ltd. (3) 南京高精齒輪集團有限公司	PRC 16 August 2001	RMB693,800,000	**100**	100	Manufacture and sales of gear, gear box and fittings
Nanjing High Speed Gear Manufacturing Co., Ltd. (2) 南京高速齒輪製造有限公司	PRC 8 July 2003	RMB2,000,000,000	**100**	100	Manufacture and sales of gear, gear box and fittings
Nanjing Ningkai Mechanical Co., Ltd. (2) 南京寧凱機械有限公司	PRC 19 November 2002	RMB41,077,000	**85.83**	85.83	Engineering processing and manufacturing
Nanjing Gaote Gear Box Manufacturing Co., Ltd. (3) (4) 南京高特齒輪箱製造有限公司	PRC 26 November 2003	USD42,393,264	**100**	100	Manufacture and sales of gear, gear box and fittings
Nanjing High Accurate Marine Equipment Co., Ltd. (2) 南京高精船用設備有限公司	PRC 2 February 2007	RMB500,000,000	**100**	100	Manufacture and sales of gear, gear box and fittings
Nanjing Ninghongjian Mechanical Co., Ltd. (2) 南京寧宏建機械有限公司	PRC 15 March 2007	RMB20,000,000	**100**	100	Engineering processing and manufacturing
Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. (1) 南京高精傳動設備製造集團有限公司	PRC 27 March 2007	USD418,300,000	**100**	100	Manufacture and sales of gear box and fittings
Nanjing Zhong-Chuan Shipping Drive Equipment Co., Ltd. (3) 南京中傳船舶設備有限公司	PRC 10 June 2008	USD45,600,000	**100**	100	Manufacture and sales of shipping drive equipment

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment/operation	Issued and fully paid share capital/ registered capital	Equity interest indirectly held by the Company 2014 %	Equity interest indirectly held by the Company 2013 %	Principal activities
CHSTE (Beijing) Shougao Metallurgical Engineering & Equipment Co., Ltd. (2) 北京中傳首高冶金成套設備有限公司	PRC 25 April 2008	RMB30,000,000	**75**	51	Metallurgical engineering and manufacturing
Nanjing Gaochuan Electrical & Mechanical Auto Control Equipment Co., Ltd. (3) 南京高傳機電自動控制設備有限公司	PRC 22 October 2009	RMB464,830,000	**100**	100	Manufacture and sales of gear box and fittings
Nantong Diesel Engine Co., Ltd. (2) 南通柴油機股份有限公司	PRC 27 November 1993	RMB300,000,000	**89.36**	89.36	Manufacture and sales of diesel engines
Nanjing Gaochuan Sky Digital Control Equipment Manufacturing Co., Ltd. (2) 南京高傳四開數控裝備製造有限公司	PRC 27 February 1993	RMB26,000,000	**99.16**	99.16	Engineering processing and manufacturing
Zhenjiang Tongzhou Propeller Co., Ltd (2) 鎮江同舟螺旋槳有限公司	PRC 24 November 2005	RMB50,000,000	**76.33**	76.33	Manufacture and sales of propellers
Zhong-Chuan Heavy Duty Machine Tool Corporation Ltd. (3) 中傳重型機床有限公司	PRC 11 October 2010	USD44,200,000	**90**	90	Manufacture and sales of heavy duty machine tools
Zhong-Chuan Heavy Duty Equipment Co., Ltd. (2) (4) 中傳重型裝備有限公司	PRC 28 February 2011	RMB250,000,000	**68**	68	Manufacture and sales of heavy duty equipment
Nanjing Jiuyi Heavy Duty Gear Box Manufacturing Co., Ltd. (2) 南京九一重型齒輪製造有限公司	PRC 27 July 2011	RMB250,000,000	**100**	100	Manufacture and sales of gear

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment/operation	Issued and fully paid share capital/ registered capital	Equity interest indirectly held by the Company		Principal activities
			2014 %	2013 %	
AE&E Nanjing Boiler Co., Ltd. (3) 南京奧能鍋爐有限公司	PRC 25 January 1991	RMB128,824,800	**90**	90	Manufacture and sales of industrial boilers, heat recovery equipment and related products
New Best Zhong-Chuan Technology Co., Ltd. (2) 江蘇新貝斯特中傳科技有限公司	PRC 27 December 2011	RMB200,000,000	**63**	63	Manufacture and sales of achine tools
Nanjing Jingjing Photoelectric Science & Technology Co. Ltd (2) 南京京晶光電科技有限公司	PRC 15 March 2012	RMB300,000,000	**100**	100	Manufacture and sales of LED products
Nanjing Handa Import and Export Trading Co., Ltd. (2) 南京翰達進出口貿易有限公司	PRC 25 April 2012	RMB41,000,000	**100**	41	Trading business
China Transmission Holdings Limited 中傳控股有限公司	Hong Kong 7 November 2007	HKD100	**100**	100	Investment holding

The above table lists the 21 subsidiaries of the Group (2013: 21) which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

At the end of the reporting period, the Company considers these subsidiaries below that are not material to the Group. A majority of these subsidiaries operate in PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		31/12/2014	31/12/2013
Production and after sale service of wind gear transmission equipment	PRC	**18**	15
	USA	**2**	2
Manufacture and sales of marine gear transmission equipment	PRC	**2**	2
Manufacture and sales of computer numerical controlled ("CNC") machine tool products	PRC	**4**	4
Manufacture and sales of traditional and other transmission products	PRC	**14**	9
Manufacture and sales of LED products	PRC	**2**	—
Investment holding	BVI	**4**	2
	HK	**1**	1
		47	35

Notes:

(1) Wholly-foreign owned enterprise established in the PRC.

(2) Domestic enterprise established in the PRC.

(3) Sino-foreign owned enterprise established in the PRC.

(4) Subsidiaries disposed subsequent to the end of the reporting period.

There is no subsidiary with non-controlling interests that are material to the Group as at 31 December 2014 and 2013.

50. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the report period, the Group disposed of its equity interests in Nanjing Gaote and Zhong-Chuan Heavy Duty Equipment Co., Ltd, details of which is set out in the Company's announcement dated 21 January 2015. The assets and liabilities of these subsidiaries are classified as held for sale in a disposal group at 31 December 2014, details of which are set out in note 15.

On 14 March 2015, Nanjing High Speed, a subsidiary of the Group, entered into an agreement (the "Land Resumption Agreement") with the district government of Jiangning (the "Jiangning Govenment"). Pursuant to the Land Resumption Agreement, Nanjing High Speed will return and the Jiangning Government will resume the land on which one of the plants currently owned by Nanjing High Speed is located (the "Resumed Land") by the end of 2016 at a compensation of RMB1.3 billion (before deducting relevant expenses). The compensation amount will be payable by three instalments, with the first instalment of RMB300 million payable on or before 25 March 2015, the second instalment of RMB400 million payable on or before 30 September 2015, and the last instalment of RMB600 million payable when the Resumed Land, subsequent to the resumption by the Jiangning Government, are successfully sold by auction. At 31 December 2014, the carying amount of the Resumed Land, the buildings and other property, plant and equipment located on the Resumed Land, amounted to approximately RMB600 million. The directors of the Company is in the process of assessing the financial impact to the Group and considers that the operations and production currently carried on at the existing production facilities located on the Resumed Land will continue until the completion of relocation. The Company will ensure the disruption to the overall operations and production of Nanjing High Speed is kept minimal.

FINANCIAL SUMMARY

	Year ended 31 December				
	2010	2011	2012	2013	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
RESULTS					
Revenue	7,392,649	7,120,712	6,368,817	6,539,058	**8,147,338**
Profit for the year	1,393,458	547,588	128,472	31,157	**175,682**

	As at 31 December				
	2010	2011	2012	2013	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
ASSETS AND LIABILITIES					
Total assets	14,931,515	18,400,984	19,882,234	22,970,686	**25,299,504**
Total liabilities	(7,417,174)	(10,778,949)	(12,137,671)	(14,208,985)	**(16,429,402)**
	7,514,341	7,622,035	7,744,563	8,761,701	**8,870,102**
Attributable to:					
Equity owners of the Company	7,392,730	7,472,581	7,539,438	8,513,877	**8,688,371**
Non-controlling interests	121,611	149,454	205,125	247,824	**181,731**
	7,514,341	7,622,035	7,744,563	8,761,701	**8,870,102**