The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

12 May 2014

The Directors
China CNR Corporation Limited

UBS Securities Hong Kong Limited
China International Capital Corporation Hong Kong Securities Limited
Macquarie Capital Securities Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to China CNR Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2011, 2012 and 2013 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2011, 2012 and 2013 (the "Track Record Period"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 12 May 2014 (the "Prospectus").

The Company was established as a joint stock company with limited liability in Beijing, the People's Republic of China (the "PRC") at 26 June 2008.

All subsidiaries of the Company have adopted 31 December as their financial year end date. Details of these companies are set out in note 15 of section B. The statutory financial statements of these companies were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the PRC and the information about their statutory auditors is set out in Note 41 of Section B.

The directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2011, 2012 and 2013 were audited by KPMG Huazhen (Special General Partnership) in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2013.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at 31 December 2011, 2012 and 2013 and the Group's consolidated results and cash flows for the Track Record Period then ended.

A FINANCIAL INFORMATION

1 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Section B Note	Years ended 31 December 2011	2012	2013
		RMB '000	*RMB '000*	*RMB '000*
Revenue	3	**88,810,826**	**91,798,238**	**96,756,070**
Cost of sales		(77,090,955)	(78,706,746)	(80,103,393)
Gross profit		**11,719,871**	**13,091,492**	**16,652,677**
Other revenue	4	609,872	697,774	583,771
Other net loss	4	(128,510)	(60,828)	(230,650)
Selling and distribution expenses		(1,468,869)	(1,722,959)	(2,018,084)
Administrative expenses		(6,075,014)	(6,875,741)	(8,783,823)
Profit from operations		**4,657,350**	**5,129,738**	**6,203,891**
Finance costs	5(a)	(1,247,501)	(1,180,961)	(1,395,424)
Share of profits of associates		159,856	119,777	110,651
Share of profits of joint ventures		85,340	118,882	180,013
Profit before taxation	5	**3,655,045**	**4,187,436**	**5,099,131**
Income tax	6	(510,495)	(603,108)	(873,128)
Profit for the year		**3,144,550**	**3,584,328**	**4,226,003**
Profit attributable to:				
Equity shareholders of the Company		3,024,638	3,430,806	4,128,559
Non-controlling interests		119,912	153,522	97,444
Profit for the year		**3,144,550**	**3,584,328**	**4,226,003**
Earnings per share	10			
Basic earnings per share (RMB)	10(a)	0.34	0.34	0.40
Diluted earnings per share (RMB)	10(b)	0.34	0.34	0.40

The accompanying notes form part of the Financial Information.

2 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Section B Note	Years ended 31 December		
		2011	2012	2013
		RMB '000	*RMB '000*	*RMB '000*
Profit for the year		3,144,550	3,584,328	4,226,003
Other comprehensive income	9			
Items that will not be reclassified to profit or loss:				
Remeasurement of net defined benefit liabilities	28(b)	(84,826)	(34,742)	14,900
		(84,826)	(34,742)	14,900
Items that maybe reclassified subsequently to profit or loss:				
Cash flow hedge: net movement in the hedging reserve		14,726	—	—
Available-for-sale investments: net movement in the fair value reserve		(127,901)	5,346	4,135
Exchange differences on translation of financial statements of overseas subsidiary		—	—	(98)
		(113,175)	5,346	4,037
Others comprehensive income for the year		**(198,001)**	**(29,396)**	**18,937**
Total comprehensive income for the year		**2,946,549**	**3,554,932**	**4,244,940**
Total comprehensive income attributable to:				
Equity shareholders of the Company		2,826,558	3,402,001	4,147,871
Non-controlling interests		119,991	152,931	97,069
Total comprehensive income for the year		**2,946,549**	**3,554,932**	**4,244,940**

The accompanying notes form part of the Financial Information.

3 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section B Note	At 31 December 2011	2012	2013
		RMB '000	RMB '000	RMB '000
Non-current assets				
Property, plant and equipment	11	22,062,263	25,295,354	27,997,062
Lease prepayments	12	8,698,547	9,126,850	9,966,563
Goodwill	13	—	13,557	13,557
Intangible assets	14	343,425	348,302	639,805
Interest in associates	16	1,050,573	1,004,864	1,040,052
Interest in joint ventures	17	703,031	783,053	944,177
Deferred tax assets	30(b)	252,104	286,085	451,337
Other non-current assets	18	1,927,137	5,437,275	8,376,952
Total non-current assets		**35,037,080**	**42,295,340**	**49,429,505**
Current assets				
Inventories	20	31,119,462	24,714,198	18,636,790
Trade and bills receivables	21	16,737,917	22,715,011	31,922,635
Prepayments, deposits and other receivables	22	8,387,542	7,784,130	10,828,672
Income tax recoverable	30(a)	39,453	45,502	9,269
Restricted deposits	23	149,466	206,548	1,084,981
Banks deposits with original maturities over three months		—	441,512	1,132,657
Cash and cash equivalents	24	5,894,744	8,379,753	7,114,408
Total current assets		**62,328,584**	**64,286,654**	**70,729,412**
Current liabilities				
Interest-bearing loans and borrowings	25(b)	18,198,372	20,095,074	20,609,153
Trade and bills payables	26	30,800,402	33,347,494	36,026,256
Other payables and accruals	27	15,346,463	10,807,293	16,063,130
Defined benefit obligations	28	290,621	264,611	247,518
Income tax payable	30(a)	156,030	273,238	521,657
Provision for warranties	31	483,229	471,558	535,900
Total current liabilities		**65,275,117**	**65,259,268**	**74,003,614**
Net current liabilities		**2,946,533**	**972,614**	**3,274,202**
Total assets less current liabilities		**32,090,547**	**41,322,726**	**46,155,303**

The accompanying notes form part of the Financial Information.

3 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Section B Note	At 31 December 2011	2012	2013
		RMB '000	RMB '000	RMB '000
Non-current liabilities				
Interest-bearing loans and borrowings	25(a)	225,160	25,533	1,415,277
Defined benefit obligations	28	2,444,957	2,229,720	2,131,239
Deferred tax liabilities	30(b)	682	786	1,183
Other non-current liabilities	32	3,254,929	2,818,110	3,041,969
Total non-current liabilities		**5,925,728**	**5,074,149**	**6,589,668**
NET ASSETS		**26,164,819**	**36,248,577**	**39,565,635**
CAPITAL AND RESERVES				
Share capital	33(c)	8,300,000	10,320,056	10,320,056
Reserves		16,542,107	24,351,079	27,460,286
Total equity attributable to the equity shareholders of the Company		**24,842,107**	**34,671,135**	**37,780,342**
Non-controlling interests		**1,322,712**	**1,577,442**	**1,785,293**
TOTAL EQUITY		**26,164,819**	**36,248,577**	**39,565,635**

The accompanying notes form part of the Financial Information.

4 STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Section B Note	At 31 December		
		2011	2012	2013
		RMB '000	RMB '000	RMB '000
Non-current assets				
Property, plant and equipment	11	50,969	137,933	36,423
Lease prepayments	12	27,266	30,997	—
Intangible assets	14	24,765	48,225	46,580
Investments in subsidiaries	15	19,858,006	27,308,671	29,541,690
Interest in associates		494,879	472,296	452,449
Deferred tax assets		2,489	5,766	3,913
Other non-current assets	18	5,041,680	10,819,685	15,762,428
Total non-current assets		**25,500,054**	**38,823,573**	**45,843,483**
Current assets				
Inventories		27,027	21,175	—
Trade and bills receivables	21	22,511	50,732	1,001,871
Prepayments, deposits and other receivables	22	11,683,455	12,838,603	10,131,440
Income tax recoverable		3,421	—	—
Cash and cash equivalents	24	891,117	1,163,852	286,922
Total current assets		**12,627,531**	**14,074,362**	**11,420,233**
Current liabilities				
Interest-bearing loans and borrowings	25(b)	14,337,852	19,884,474	23,029,169
Trade and bills payables		18,767	55,442	1,110,763
Other payables and accruals	27	753,481	1,067,277	513,040
Income tax payable		—	—	32,541
Total current liabilities		**15,110,100**	**21,007,193**	**24,685,513**
Net current liabilities		**2,482,569**	**6,932,831**	**13,265,280**
Total assets less current liabilities		**23,017,485**	**31,890,742**	**32,578,203**
Non-current liabilities				
Interest-bearing loans and borrowings	25(a)	—	—	490,000
Other non-current liabilities		4,411	3,044	4,319
Total non-current liabilities		**4,411**	**3,044**	**494,319**
NET ASSETS		**23,013,074**	**31,887,698**	**32,083,884**
CAPITAL AND RESERVES	33			
Share capital	33(c)	8,300,000	10,320,056	10,320,056
Reserves		14,713,074	21,567,642	21,763,828
TOTAL EQUITY		**23,013,074**	**31,887,698**	**32,083,884**

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to equity shareholders of the Company								
		Share capital	Capital reserve	Fair value reserve	Hedging reserve	PRC statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB '000 Section B note 33(c)	*RMB '000 Section B note 33(d)(i),(ii)*	*RMB '000*	*RMB '000*	*RMB '000 Section B note 33(d)(iii)*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Balance at 1 January 2011		**8,300,000**	**11,687,500**	**136,466**	**(14,726)**	**161,344**	**3,189,842**	**23,460,426**	**1,215,766**	**24,676,192**
Changes in equity:										
Profit for the year		—	—	—	—	—	3,024,638	3,024,638	119,912	3,144,550
Other comprehensive income		—	(84,905)	(127,901)	14,726	—	—	(198,080)	79	(198,001)
Total comprehensive income for the year		—	(84,905)	(127,901)	14,726	—	3,024,638	2,826,558	119,991	2,946,549
Acquisition of a subsidiary under common control	38(a)	—	(1,002,799)	—	—	—	—	(1,002,799)	—	(1,002,799)
Acquisition of non-controlling interests without change in control		—	(828)	—	—	—	—	(828)	(2,164)	(2,992)
Capital contributions from non-controlling equity owners		—	—	—	—	—	—	—	56,350	56,350
Appropriation of reserve		—	—	—	—	85,531	(85,914)	(383)	(255)	(638)
Dividends paid by subsidiaries to non-controlling equity owners		—	—	—	—	—	—	—	(66,976)	(66,976)
Dividends paid to original equity owners		—	—	—	—	—	(25,867)	(25,867)	—	(25,867)
Dividends proposed during the year	33(b)	—	—	—	—	—	(415,000)	(415,000)	—	(415,000)
Balance at 31 December 2011		**8,300,000**	**10,598,968**	**8,565**	**—**	**246,875**	**5,687,699**	**24,842,107**	**1,322,712**	**26,164,819**

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
		Share capital	Capital reserve	Fair value reserve	PRC statutory reserve	Retained profits	Total		
		RMB '000 Section B note 33(c)	*RMB '000 Section B note 33(d)(i),(ii)*	*RMB '000*	*RMB '000 Section B note 33(d)(iii)*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
At 1 January 2012		**8,300,000**	**10,598,968**	**8,565**	**246,875**	**5,687,699**	**24,842,107**	**1,322,712**	**26,164,819**
Changes in equity:									
Profit for the year		—	—	—	—	3,430,806	3,430,806	153,522	3,584,328
Other comprehensive income		—	(34,151)	5,346	—	—	(28,805)	(591)	(29,396)
Total comprehensive income for the year		—	(34,151)	5,346	—	3,430,806	3,402,001	152,931	3,554,932
Capital contribution from right issues	33(c)	2,020,056	4,853,585	—	—	—	6,873,641	—	6,873,641
Capital contribution from equity shareholders		—	65,559	—	—	—	65,559	—	65,559
Acquisition of subsidiaries	38(c)	—	—	—	—	—	—	32,339	32,339
Capital contributions from non-controlling equity owners		—	—	—	—	—	—	200,040	200,040
Equity-settled share-based transaction		—	5,343	—	—	—	5,343	44	5,387
Appropriation of reserve		—	—	—	252,660	(254,173)	(1,513)	(1,504)	(3,017)
Dividends paid by subsidiaries to non-controlling equity owners		—	—	—	—	—	—	(129,120)	(129,120)
Dividends proposed during the year	33(b)	—	—	—	—	(516,003)	(516,003)	—	(516,003)
Balance at 31 December 2012		**10,320,056**	**15,489,304**	**13,911**	**499,535**	**8,348,329**	**34,671,135**	**1,577,442**	**36,248,577**

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Attributable to equity shareholders of the Company								
		Share capital	Capital reserve	Fair value reserve	PRC statutory reserve	Retained profits	Exchange reserve	Total	Non-controlling interests	Total equity
		RMB '000 Section B note 33(c)	*RMB '000 Section B note 33(d)(i),(ii)*	*RMB '000*	*RMB '000 Section B note 33(d)(iii)*	*RMB '000*	*RMB '000 Section B note 33(d)(iv)*	*RMB '000*	*RMB '000*	*RMB '000*
At 1 January 2013		**10,320,056**	**15,489,304**	**13,911**	**499,535**	**8,348,329**	**—**	**34,671,135**	**1,577,442**	**36,248,577**
Changes in equity:										
Profit for the year		—	—	—	—	4,128,559	—	4,128,559	97,444	4,226,003
Other comprehensive income		—	15,275	4,135	—	—	(98)	19,312	(375)	18,937
Total comprehensive income for the year		—	15,275	4,135	—	4,128,559	(98)	4,147,871	97,069	4,244,940
Acquisition of operating business under common control	38(b)	—	(109,933)	—	—	14,043	—	(95,890)	—	(95,890)
Acquisition of non-controlling interests without change in control		—	(275)	—	—	—	—	(275)	(6,881)	(7,156)
Acquisition of subsidiary	38(c)	—	—	—	—	—	—	—	15,679	15,679
Capital contributions from non-controlling equity owners		—	30,575	—	—	—	—	30,575	123,749	154,324
Equity-settled share–based transaction		—	32,895	—	—	—	—	32,895	307	33,202
Appropriation of reserve		—	—	—	152,581	(126,544)	—	26,037	1,144	27,181
Dividends paid by subsidiaries to non-controlling equity owners		—	—	—	—	—	—	—	(23,216)	(23,216)
Dividends proposed during the year	33(b)	—	—	—	—	(1,032,006)	—	(1,032,006)	—	(1,032,006)
Balance at 31 December 2013		**10,320,056**	**15,457,841**	**18,046**	**652,116**	**11,332,381**	**(98)**	**37,780,342**	**1,785,293**	**39,565,635**

The accompanying notes form part of the Financial Information.

6 CONSOLIDATED CASH FLOW STATEMENTS

	Section B Note	Years ended 31 December 2011	2012	2013
		RMB '000	RMB '000	RMB '000
Cash flows from operating activities				
Profit before taxation		3,655,045	4,187,436	5,099,131
Adjustments for:				
Depreciation	5(c)	1,228,373	1,472,595	1,955,306
Amortisation	5(c)	228,747	250,525	245,935
Net loss on disposal of property, plant and equipment	4	6,311	20,641	10,614
Net (gain)/loss on disposal of lease prepayments and other intangible assets		(766)	11	—
Impairment losses of inventory	5(c)	134,583	101,110	148,260
Impairment losses on trade and other receivables	5(c)	121,578	125,635	904,844
Impairment losses on non-current assets	5(c)	1,862	(753)	84,673
Impairment losses on plant and machinery	5(c)	—	9,455	1,246
Interest income		(17,500)	(7,642)	(28,251)
Finance costs		859,667	998,887	1,089,631
Net foreign exchange loss/(gain)		74,820	(2,041)	33,124
Share of profits of associates and joint ventures		(245,196)	(238,659)	(290,664)
Net loss on disposal of other financial assets and investments		8,462	120	44,919
Dividend income	4	(2,867)	(1,744)	(5,693)
Net (gain)/loss on financial assets at fair value through profit or loss	4	(30,812)	(1,511)	6,069
Equity-settled share-based payment expenses	5(b)	—	5,387	33,202
Changes in working capital:				
(Increase)/decrease in inventories		(6,795,634)	6,518,272	5,921,019
Increase in trade and bills receivables		(5,435,783)	(5,944,494)	(9,893,876)
Decrease/(increase) in deposits, prepayments and other receivables		1,599,900	(2,734,319)	(7,171,779)
Increase/(decrease) in trade and other payables		2,566,547	(1,970,277)	8,513,930
(Decrease)/increase in provision for warranty		(167,293)	11,671	(64,342)
Increase/(decrease) in net defined benefit retirement obligation		300,947	(275,989)	(100,674)
Increase in restricted deposit		(62,720)	(157,081)	(878,433)
Cash (used in)/generated from operations		**(1,971,729)**	**2,367,235**	**5,658,191**
Income tax paid		(545,465)	(571,335)	(771,408)
Net cash (used in)/generated from operating activities		**(2,517,194)**	**1,795,900**	**4,886,783**

The accompanying notes form part of the Financial Information.

6 CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

	Section B Note	Years ended 31 December		
		2011	**2012**	**2013**
		RMB '000	*RMB '000*	*RMB '000*
Cash flows from investing activities				
Payments for purchase of property, plant and equipment, lease prepayments and intangible assets		(7,569,049)	(6,119,001)	(5,326,842)
Net cash acquired from business combinations		—	81,999	—
Acquisition of subsidiaries		—	(64,182)	(3,708)
Payments for acquisition of associates and joint ventures		(454,242)	(998)	(25,010)
Payment for disposal of financial assets		(28,035)	(7,951)	(467)
Dividends received		86,442	83,653	46,954
Proceeds from disposal of property, plant and equipment, lease prepayments and intangible assets		46,221	45,103	49,119
Proceeds from disposal of financial instruments		29,888	10,590	12,908
Proceeds from disposal of the interest of joint ventures		—	—	129
Withdrawal of bank deposit with maturity over three months		16,181	7,519	935,574
Government grants received		105,401	428,420	219,650
Payment for purchase of financial assets		—	(9,411)	(11,321)
Increase in deposits with banks		—	(441,512)	(1,612,962)
Net cash used in investing activities		**(7,767,193)**	**(5,985,771)**	**(5,715,976)**

The accompanying notes form part of the Financial Information.

6 CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

	Section B Note	Years ended 31 December		
		2011	**2012**	**2013**
		RMB '000	*RMB '000*	*RMB '000*
Cash flows from financing activities				
Payments for acquisition of subsidiaries under common control		(1,002,799)	—	(85,093)
Acquisition of non-controlling interests without change in control		(2,992)	—	(6,289)
Repayment of principles and interests under finance leasing		(52,949)	(839,538)	—
Proceeds from issuance of short-term inter-bank corporate bonds		7,972,000	13,966,000	15,968,568
Repayment of short-term inter-bank corporate bonds		(3,975,797)	(7,971,878)	(19,957,118)
Proceeds from bank loans and borrowings		42,608,914	38,044,628	69,546,851
Repayment of bank loan and borrowings		(34,108,648)	(41,722,559)	(63,691,943)
Capital contributions from non-controlling equity owners of subsidiaries		56,350	200,000	91,988
Proceeds from right issues		—	6,873,641	—
Payments of dividends		(495,285)	(681,070)	(1,087,540)
Payment of interest expense		(843,370)	(1,196,759)	(1,195,016)
Cash received under finance leasing		809,045	—	—
Net cash generated from financing activities		**10,964,469**	**6,672,465**	**(415,592)**
Net increase/(decrease) in cash and cash equivalents		680,082	2,482,594	(1,244,785)
Cash and cash equivalents at beginning of year		5,242,324	5,894,744	8,379,753
Effect of foreign exchange rate changes		(27,662)	2,415	(20,560)
Cash and cash equivalents at end of year	24	**5,894,744**	**8,379,753**	**7,114,408**

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

The Company was established as a joint stock company with limited liability in Beijing, the People's Republic of China ("PRC") on 26 June 2008, and the head office is located in No.15 Building, Fang Cheng Yuan Area One, Fengtai District, Beijing.

The Group is principally engaged in manufacturing, sales and refurbishment of rolling stock, including locomotives, passenger coaches, freight wagons, MUs, rapid transit vehicles and railway machinery and equipment; production of mechanical and electric products, including electric motors, alternators, diesel engines, control devices, electric/electronic components and other components for use in rail and non-rail industries; financing lease of engineering machine and equipment, trading of raw materials, and engineering, procurement and construction ("EPC") services for rail-related construction projects; and manufacturing and providing system solution of clean energy, energy conservation and environmental protection equipment and systems, such as wind power generators and wind turbines, electric vehicles, sewage/waste recycle and disposal systems.

(b) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which includes International Financial Reporting Standards, International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2013 are set out in note 40.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKSE").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Company and its subsidiaries established in the PRC and Hong Kong ("PRC and Hong Kong subsidiaries") carrying on the principal activities of the Group. The functional currency of the Company's subsidiary in Czech Republic is Czech Koruna ("CZK").

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of measurement (continued)

The measurement basis used in the preparation of the Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— financial instruments classified as available-for-sale (see note 1(i)); and

— derivative financial instruments (see note 1(j)).

(d) Use of estimates and judgments

The preparation of the Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity owners/shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statements of financial position in accordance with notes 1(t) or (u) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(i)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(f)).

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(p)).

(f) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the Financial Information under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(g) and (p)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statements of profit or loss and other comprehensive income.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Associates and joint ventures (continued)

When the Group's share of losses exceeds its interest in the associates or the joint ventures, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associates or the joint ventures.

Unrealized profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(i)).

In the Company's statements of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 1(p)).

(g) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, which is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(p)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Business combination

Business combination represents transaction which combines two or more separate businesses into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations involving entities not under common control.

(i) Business combinations involving entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the equity shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the Track Record Period or, if later, at the date that common control was established. The assets and liabilities acquired are recognized at the carrying amounts from the perspective of the Group's controlling shareholder. The components of equity of the acquired entities are added to the same components within the Group's equity and any gain/loss arising is recognized directly in equity.

(ii) Business combinations involving entities not under common control

Business combinations not under common control are business combinations in which the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination. In a business combination not under common control, the party which obtains control of other combining enterprise(s) on the purchase date is the acquirer, other combining enterprise(s) is (are) the acquirees. The "acquisition date" refers to the date on which the acquirer obtains control of the acquirees.

The acquirer shall measure the assets acquired and liabilities incurred or assumed as consideration of the business combination at their fair values on the acquisition date.

Where the sum of the fair value of combination cost paid (or the fair value of the equity securities issued) and the fair value of shareholding of the acquiree held by the acquirer before the combination date exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. Where the sum of the fair value of combination cost paid (or the fair value of the equity securities issued) and the fair value of shareholding of the acquiree held by the acquirer before the combination date is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall reassess the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the sum of the fair value of combination cost paid (or the fair value of the equity securities issued) and the fair value of shareholding of the acquiree held by the acquirer before the combination date is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference immediately in profit or loss for the current period.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Other investments in equity securities

The Group's and the Company's policies for investments in unquoted equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in unquoted equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are subsequently accounted for in the statements of financial position at cost less impairment losses (see note 1(p)).

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognized in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in profit or loss. The net gain or loss recognized in profit or loss does not include any dividends or interest earned on these investments as theses are recognized in accordance with the policies set out in note 1(z)(v) and (vi).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognized in the statements of financial position at cost less impairment losses (see note1(p)). Dividend income from equity securities calculated using the effective interest method are recognized in profit or loss in accordance with the policies set out in notes 1(z)(v) and 1(z)(vi), respectively.

When the investments are derecognised or impaired (see note 1(p)), the cumulative gain or loss recognized in equity is reclassified to profit or loss. Investments are recognized/derecognised on the date the Group commits to purchase/sell the investments.

(j) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(k))

(k) Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognized asset or liability or a highly probable forecast transaction or the foreign

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Hedging (continued)

Cash flow hedges (continued)

currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognized in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognized immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognized).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognized in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(l) Investment property

Investment properties are land and building which are owned or held under a leasehold interest (see note 1(o)) to earn rental income and/or for capital appreciation.

Investment properties are stated a cost less accumulated depreciation and impairment losses (see note 1(p)). The depreciation policy is the same as that of property, plant and equipment (see note 1(m)). Rental income from investment properties is accounted for as described in note 1(z)(iv).

(m) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(p)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(bb)).

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Property, plant and equipment (continued)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold improvements are depreciated over the shorter of the unexpired term of lease and their estimated useful lives	
— Land, buildings and structures	20 – 50 years
— Equipment	10 – 28 years
— Motor vehicles	5 – 15 years
— Furniture, fixtures and others	5 – 12 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(n) Intangible assets (other than goodwill)

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(bb)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(p)). Other development expenditure is recognized as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(p)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Patents and trademarks	10 years
— Computer software and others	2 – 10 years

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leasing. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases except for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance leasing, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leasing

Where the Group acquires the use of assets under finance leasing, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets is included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leasing. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(m). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(p). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganization;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

— For investments in subsidiaries, associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 1(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(p)(ii). The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount in accordance with note 1(p)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

— For available-for-sale securities, the cumulative loss that has been recognized in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

Impairment losses recognized in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognized in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade and bills receivables and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against the respective receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- investment property;
- lease prepayments;
- goodwill;
- intangible assets; and
- investments in subsidiaries, associates and joint ventures.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(q) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula or first-in, first-out formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 1(z)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognized as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognized as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognized profit less recognized losses and progress billings, and are presented in the statements of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and bills receivables".

(s) Trade, bills and other receivables

Trade, bills and other receivables are initially recognized at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(p)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(t) Interest-bearing borrowings

Interest-bearing borrowings are initially recognized at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(u) Trade, bills and other payables

Trade, bills and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance, trade, bills and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. The calculation is performed by a qualified actuary using the projected unit credit method (see note 28).

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognized in profit or loss and allocated by function as "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognized as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognized. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the market yield at the end of the reporting period on government bonds that have maturity dates approximating the terms of the group's obligations.

Remeasurements arising from defined benefit retirement plans are recognized in other comprehensive income and reflected in equity. Remeasurements comprise actuarial gains and losses.

(iii) Termination and early retirement benefit

Termination and early retirement benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iv) Share-based payments

The fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted, further details of which are given in note 29 to the financial statements. Where the employees have to meet vesting

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee benefits (continued)

(iv) Share-based payments (continued)

conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged / credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognized in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(x) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to business combinations, or items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statements of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Income tax (continued)

credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the statements of financial position date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(y) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognized at fair value, provided the fair value

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Provisions and contingent liabilities (continued)

(i) Contingent liabilities assumed in business combinations (continued)

can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognized at the higher of the amount initially recognized, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(y)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 1(y)(ii).

(ii) Other provisions and contingent liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(z) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sales of goods

Sales of goods revenue is recognized when the Group sells locomotives (including multiple units), urban rail vehicles, construction machinery, electromechanical equipment, and materials etc. Revenue is recognized when goods are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rendering of services

Rendering of services revenue is recognized when the Group provides refurbishment service of locomotives (including multiple units), urban rail vehicles, construction machinery, and electromechanical equipment etc.

Revenue from the rendering of services is recognized in the statements of profit or loss by reference to the stage of completion of the transaction based on the process of work performed, as further explained in the accounting policy for "Construction contract revenue" (see note 1(z)(iii))

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Revenue recognition (continued)

(iii) Construction contract revenue

When the outcome of a construction contract can be estimated reliably:

The completion percentage of construction contract is measured by reference to the actual accumulated contract costs incurred to date to estimated total contract costs for the contract.

— revenue from a fixed price contract is recognized using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and

— revenue from a cost plus contract is recognized by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

(v) Interest income

Interest income is recognized as it accrues using the effective interest method.

(vi) Dividends

— Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

(vii) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them. Grants that compensate the group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Revenue recognition (continued)

(vii) Government grants (continued)

cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(aa) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the statements of financial position date. Exchange gains and losses are recognized in profit or loss. Exchange gains and losses are recognized in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognized in other comprehensive income (see note 1(k)).

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations which have a functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items are translated into RMB at the closing foreign exchange rates ruling at the end of the each reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(bb) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(dd) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the Financial Information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(dd) Segment reporting (continued)

For the years ended 31 December 2011, 2012 and 2013, the Group's operating revenues derived from outside the PRC were RMB 6,271.47 million, RMB 9,630.53 million, RMB 7,576,23 million, respectively. As at 31 December 2011, 2012 and 2013, the balances of non-current assets, which were based on the physical location of the assets located outside PRC, were amounting to nil, nil and 1.04 million respectively.

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Financial Information. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in note 1. Notes 13, 28, 29, 34 contain information about the assumptions and their risk factors relating to valuation of goodwill impairment, defined benefit obligations, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as below:

(a) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual impairment losses would be higher than estimated.

(b) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, investment property, lease prepayments, intangible assets, investments in an associate and unquoted equity investment, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and amount of operating costs.

2 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(c) Write-down of inventories to net realisable value

The Group determines the write-down for obsolescence of inventories. Based on the Group's management review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable values. Due to changes in market conditions, actual saleability of goods, practical usage of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(d) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the statements of financial position date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires a significant level of judgment exercised by the directors. Any changes in such assumptions and judgments would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

(e) Warranty provisions

As explained in note 1(y)(ii), the Group makes provisions under the warranties it gives on sales of its goods taking into account the Group's recent claim experience. It is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(f) Construction contract

As explained in policy notes 1(r) and 1(z)(iii) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the group's recent experience and the nature of the construction activity undertaken by the group, the group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 19 will not include profit which the group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognized in future years as an adjustment to the amounts recorded to date.

(g) Depreciation and amortisation

As explained in note 1(l), 1(m) and 1(n), investment property, property, plant and equipment and intangible assets are depreciated and amortized on a straight-line basis over the estimated

2 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(g) Depreciation and amortisation (continued)

useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

3 REVENUE

The Group is principally engaged in manufacturing, sales and refurbishment of locomotives, passenger coaches, freight wagons, MUs and metro cars, and relative research and development, construction and rendering of services.

Revenue mainly represents the sales value of goods supplied to customers, rendering of services. The amount of each significant category of revenue recognized during the year is as follows:

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Revenue from goods and services	88,810,826	91,790,364	96,617,055
Interest income	—	7,874	139,015
	88,810,826	91,798,238	96,756,070

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Domestic revenue	82,539,355	82,167,704	89,179,841
Overseas revenue	6,271,471	9,630,534	7,576,229
	88,810,826	91,798,238	96,756,070

4 OTHER REVENUE AND OTHER NET LOSS

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Other revenue			
Interest income	98,012	114,901	179,268
Dividend income	2,867	1,744	5,693
Government grants	508,993	581,129	398,810
	609,872	697,774	583,771

4 OTHER REVENUE AND OTHER NET LOSS (CONTINUED)

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Other net loss			
Net gain/(loss) from changes in fair value	30,812	1,511	(6,069)
Net gain/(loss) on sale of available-for-sale investments	1,246	1,968	(50)
Net (loss)/gain on sale of derivative financial instruments	(9,708)	(3,275)	6,330
Net foreign exchange loss	(75,922)	(1,183)	(53,842)
Net loss on disposal of property, plant and equipment	(6,311)	(20,641)	(10,614)
Others	(68,627)	(39,208)	(166,405)
	(128,510)	(60,828)	(230,650)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Interest cost recognized in respect of defined benefit obligations (note 28(b))	108,064	89,865	89,753
Interest expense on bank advances and borrowings	1,336,376	1,387,041	1,610,366
Less: interest expenses capitalised into property, plant and equipment	196,939	295,945	304,695
	1,247,501	1,180,961	1,395,424

The borrowing costs have been capitalised at rates of 5.42%-6.75%, 6.07%-6.80% and 5.07%-6.46% for the years ended 31 December 2011, 2012 and 2013 respectively.

(b) Staff costs

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Salaries, wages and other benefits	6,495,670	7,090,298	7,743,498
Contributions to defined contribution retirement plans (note)	798,313	1,064,639	1,114,048
Expenses recognized in respect of defined benefit obligations (note 28(c))	60,384	65,584	200,140
Equity-settled share-based transaction expenses (note 29)	—	5,387	33,202
	7,354,367	8,225,908	9,090,888

Note:

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its PRC subsidiaries participated in defined contribution retirement schemes (the "PRC Schemes") organized by the relevant local government authorities for its employees. The Group is required to make contributions to the PRC Schemes at 18% to 22% of average basic salaries of the employees in the cities where the Group operates. The local government authorities

5 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs (continued)

are responsible for the entire pension obligations payable to retired employees. In addition, the Company and certain subsidiaries' staff have participated in a retirement plan managed by certain subsidiaries on a voluntary basis to supplement the above-mentioned schemes and the Company and subsidiaries are required to make contribution at 2.5% to 5% of total salaries of the employees. The Group has no other material obligation to make payments in respect of pension benefits associated with these schemes and supplementary retirement plan other than the annual contributions described above.

(c) Other items

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB '000	*RMB '000*	*RMB '000*
Amortisation			
— lease prepayments	159,395	176,971	171,664
— intangible assets	69,352	73,554	74,271
	228,747	250,525	245,935
Depreciation			
— property, plant and equipment	1,228,373	1,472,595	1,955,306
Impairment loss/(gain)			
— trade and bills receivables	93,852	133,068	656,077
— deposits, prepayments and other receivables	27,726	(7,433)	248,767
— property, plant and equipment	—	9,455	1,246
— other non-current assets	1,862	(753)	84,673
— inventory	134,583	101,110	148,260
	258,023	235,447	1,139,023
Research and development costs (note)	2,182,834	2,589,214	2,790,296
Provision for warranty	459,759	379,329	516,099
Auditors' remuneration	10,500	15,500	15,500
Operating lease charges	100,696	114,159	135,169
Cost of goods (note)	76,750,485	78,237,284	79,761,789

Note:

Cost of goods and research and development costs include staff costs, depreciation and amortisation expenses and operating lease charges, of which amount are also included in the respective total amounts disclosed separately above or in note 5(c) for each of these types of expenses.

6 INCOME TAX

(a) Income tax in the consolidated statements of profit or loss represents:

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Corporate income tax (Note 30(a))			
Provision for the year	579,946	637,016	1,031,384
Under-provision in respect of prior years	6,551	1,984	6,838
	586,497	639,000	1,038,222
Deferred taxation (Note 30(b))			
Origination and reversal of temporary differences	(75,311)	(35,892)	(165,094)
Effect on deferred tax balances at 1 January resulting from a change in income tax rate	(691)	—	—
	(76,002)	(35,892)	(165,094)
	510,495	603,108	873,128

(b) Reconciliations between income tax expense and before taxation profit at applicable tax rates:

The Group

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Profit before taxation	3,655,045	4,187,436	5,099,131
Notional tax on profit before taxation at PRC statutory tax rate	913,761	1,046,859	1,274,783
Effect of non-deductible expenses	19,141	23,374	66,421
Effect in respect of share of profits less losses of associates and joint ventures	(62,016)	(60,101)	(72,666)
Effect of research and development expense deduction	(174,620)	(194,968)	(232,376)
Income tax effect of unused tax losses not recognized	88,091	63,899	98,726
Income tax effect of temporary differences not recognized	10,941	12,098	90,686
Effect on deferred tax balances at 1 January resulting from a change in tax rate	691	—	—
Effect of PRC tax concessions	(271,296)	(255,133)	(434,314)
Others	(14,198)	(32,920)	81,868
Actual income tax expense	510,495	603,108	873,128

Notes:

On 16 March 2007, the Fifth Plenary of the Tenth National People's Congress passed the new Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"). Accordingly, effective from 1 January 2008, the Group's PRC subsidiaries are generally subject to income tax at the statutory rate of 25%, unless otherwise specified.

Prior to 1 January 2011, 20 of the Group's subsidiaries were entitled to a preferential income tax rate 15% by reason of the evaluation of new high-tech enterprises. As of 31 December 2013, the number of high-tech enterprises has increased to 23.

6 INCOME TAX (CONTINUED)

(b) Reconciliations between income tax expense and before taxation profit at applicable tax rates: (continued)

Prior to 1 January 2011, 3 subsidiaries of the Group were located in the Western Regions and were entitled to a preferential income tax rate of 15%. As of 31 December 2013, the number of western regions enterprises has increased to 8.

A subsidiary of the Group is located in Hong Kong and is entitled to Hong Kong Profits Tax at 16.5%.

A subsidiary of the Group is located in Czech Republic and is entitled to income tax at the statutory rate of 19%.

7 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of directors' and supervisors' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:

	Year ended 31 December 2011				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Executive director					
Xi Guohua	—	272	474	117	863
Non-executive director					
Cui Dianguo	—	272	474	123	869
Lin Wanli (Resigned in Sep 2013)	—	244	427	104	775
Independent non-executive directors					
Qin Jiaming (Resigned in Feb 2012)	134	—	—	—	134
Zhang Zhong	156	—	—	—	156
Chen Lifen (Resigned in Feb 2012)	120	—	—	—	120
Shao Ying	136	—	—	—	136
Zhang Xinmin (Resigned in Feb 2012)	157	—	—	—	157
Supervisor					
Liu Kexian (Resigned in Oct 2012)	—	374	192	98	664
Chen Fangping	—	344	182	78	604
Zhu Sanhua	—	335	174	74	583
	703	1,841	1,923	594	5,061

7 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	Year ended 31 December 2012						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Equity-settled share-based transaction	Total
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Executive director							
Xi Guohua	—	249	567	104	920	27	947
Non-executive director							
Cui Dianguo	—	249	567	108	924	27	951
Lin Wanli (Resigned in Sep 2013)	—	225	499	94	818	23	841
Independent non-executive directors							
Qin Jiaming (Resigned in Feb 2012)	13	—	—	—	13	—	13
Zhang Xinmin (Resigned in Feb 2012)	13	—	—	—	13	—	13
Chen Lifen (Resigned in Feb 2012)	15	—	—	—	15	—	15
Li Fenghua (Appointed in Feb 2012)	128	—	—	—	128	—	128
Zhang Zhong	147	—	—	—	147	—	147
Shao Ying	130	—	—	—	130	—	130
Xin Dinghua (Appointed in Feb 2012)	130	—	—	—	130	—	130
Supervisor							
Liu Kexian (Resigned in Oct 2012)	—	225	269	42	536	—	536
Chen Fangping	—	374	253	75	702	—	702
Zhu Sanhua	—	351	242	73	666	—	666
Liu Zhi (Appointed in Oct 2012)	—	327	228	65	620	—	620
	576	2,000	2,625	561	5,762	77	5,839

7 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	Year ended 31 December 2013						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Equity-settled share-based transaction	Total
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Executive director							
Xi Guohua	—	335	584	106	1,025	163	1,188
Non-executive director							
Cui Dianguo	—	335	584	110	1,029	163	1,192
Lin Wanli (Resigned in Sep 2013)	—	238	526	75	839	139	978
Wan Jun (Appointed in Dec 2013)	—	24	—	7	31	—	31
Independent non-executive directors							
Li Fenghua (Appointed in Feb 2012)	130	—	—	—	130	—	130
Zhang Zhong	142	—	—	—	142	—	142
Shao Ying	118	—	—	—	118	—	118
Xin Dinghua (Appointed in Feb 2012)	136	—	—	—	136	—	136
Supervisor							
Chen Fangping	—	439	273	84	796	—	796
Zhu Sanhua	—	398	245	78	721	—	721
Liu Zhi (Appointed in Oct 2012)	—	384	233	71	688	—	688
	526	2,153	2,445	531	5,655	465	6,120

During the Track Record Period, no emoluments were paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. No director or supervisor has waived or agreed to waive any emoluments during the Track Record Period.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and supervisors, non-directors and non-supervisors included in the five highest paid individuals for the years ended 31 December 2011, 2012 and 2013 are set forth below:

	Years ended 31 December		
	2011	2012	2013
	Number of individuals	*Number of individuals*	*Number of individuals*
Directors or Supervisors	—	—	—
Non-directors and Non-supervisors	5	5	5
	5	5	5

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

The emoluments of the directors and supervisors are disclosed in note 7. The aggregate of the emoluments in respect of the highest paid individuals are as follows:

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Salaries and other emoluments	1,074	1,551	1,630
Discretionary bonuses	4,771	4,506	5,308
Retirement scheme contributions	198	433	238
Share-based payments	—	97	596
	6,043	6,587	7,772

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Years ended 31 December		
	2011	2012	2013
	Number of individuals	*Number of individuals*	*Number of individuals*
HKD 1,000,000 to HKD 1,500,000	4	2	—
HKD 1,500,001 to HKD 2,000,000	1	3	3
HKD 2,000,001 to HKD 2,500,000	—	—	2

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9 OTHER COMPREHENSIVE INCOME

a Tax effects relating to each component of other comprehensive income

	Years ended 31 December					
	2011			2012		
	Before tax amount	Tax (expense) /benefit	Net-of-tax amount	Before tax amount	Tax expense	Net-of-tax amount
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Cash flow hedge: net movement in hedging reserve	17,324	(2,598)	14,726	—	—	—
Available-for-sale investments: net movement in fair value reserve	(151,836)	23,935	(127,901)	6,287	(941)	5,346
Other comprehensive income	(134,512)	21,337	(113,175)	6,287	(941)	5,346

	Years ended 31 December		
	2013		
	Before tax amount	Tax expense	Net-of-tax amount
	RMB '000	*RMB '000*	*RMB '000*
Exchange differences on translation of:			
— financial statements of overseas subsidiary	—	—	(98)
Available-for-sale investments: net movement in fair value reserve	5,160	(1,025)	4,135
Other comprehensive income	5,160	(1,025)	4,037

9 OTHER COMPREHENSIVE INCOME (CONTINUED)

b Components of other comprehensive income, including reclassification adjustments

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Cash flow hedges:			
Net deferred tax credited to other comprehensive income	14,726	—	—
Net movement in the hedging reserve during the year recognized in other comprehensive income	14,726	—	—
Available-for-sale investments:			
Changes in fair value recognized during the year	(127,901)	5,346	4,135
Net movement in the fair value reserve during the year recognized in other comprehensive income	(127,901)	5,346	4,135

10 EARNINGS PER SHARE

a Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to ordinary equity shareholders of the Company of RMB 3,024.63 million, RMB 3,430.81 million, RMB 4,128.56 million for the years ended 31 December 2011, 2012 and 2013 respectively and the weighted average number of ordinary shares in issue as at the end of each reporting period, calculated as follows:

Weighted average number of ordinary shares

	Years ended 31 December		
	2011	2012	2013
	Number of Shares '000 (restated)	*Number of Shares '000*	*Number of Shares '000*
Ordinary shares issued at beginning of the year	8,300,000	8,300,000	10,320,056
Effect of Capitalisation issue (note 33 c(ii))	470,212	1,763,133	—
Weighted average number of ordinary shares at the end of year	8,770,212	10,063,133	10,320,056

b Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB 3,024.63 million, RMB 3,430.81 million, RMB 4,128.56 million for the years ended 31 December 2011, 2012 and 2013 and the weighted average number of ordinary shares are 8,770.21 million, 10,063.23 million, 10,325.98 million for the years ended 31 December 2011, 2012 and 2013 after adjusting for the capitalisation issue in 2012, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Profit attributable to ordinary equity shareholders	3,024,638	3,430,806	4,128,559

10 EARNINGS PER SHARE (CONTINUED)

b Diluted earnings per share (continued)

(ii) Weighted average number of ordinary shares (diluted)

	Years ended 31 December		
	2011	2012	2013
	Number of Shares '000 (restated)	*Number of Shares '000*	*Number of Shares '000*
Weighted average number of ordinary shares at beginning of the year	8,770,212	10,063,133	10,320,056
Effect of deemed issue of shares under the company's share option scheme for nil consideration (note 29)	—	98	5,921
Weighted average number of ordinary shares at the end of year	8,770,212	10,063,231	10,325,977

11 PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Land, buildings and structures	Equipment	Motor vehicles	Furniture, fixtures and others	Investment property	Construction in progress	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Cost:								
At 1 January 2011	4,912	7,903,238	10,754,989	929,427	979,877	245,742	4,571,247	25,389,432
Additions	536	4,174	881,334	66,658	37,781	—	5,182,351	6,172,834
Transfer from construction in progress	—	1,679,767	1,388,851	88,101	118,689	—	(3,275,408)	—
Disposals	—	(21,098)	(1,239,499)	(49,454)	(54,678)	—	(338)	(1,365,067)
Transfer to construction in progress	—	(8,608)	(43,314)	(1,304)	(511)	—	53,737	—
Reclassified to intangible assets	—	—	—	—	—	—	(24,313)	(24,313)
Reclassified to investment property	—	(1,305)	—	—	—	1,655	(350)	—
At 31 December 2011	5,448	9,556,168	11,742,361	1,033,428	1,081,158	247,397	6,506,926	30,172,886
Additions	5,730	21,229	60,066	15,836	72,724	136	4,540,444	4,716,165
Transfer from construction in progress	—	2,912,930	2,330,343	216,037	159,159	—	(5,618,469)	—
Acquisitions of subsidiaries	—	66,942	24,319	986	2,506	—	—	94,753
Disposals	—	(21,194)	(142,168)	(52,783)	(16,431)	(4,094)	—	(236,670)
Transfer to construction in progress	—	—	(143)	—	—	—	143	—
Reclassified to intangible assets	—	—	—	—	—	—	(47,539)	(47,539)
Reclassified to investment property	—	(16,268)	—	—	—	16,268	—	—
At 31 December 2012	11,178	12,519,807	14,014,778	1,213,504	1,299,116	259,707	5,381,505	34,699,595
Additions	—	31,912	80,563	88,801	33,048	—	4,478,535	4,712,859
Transfer from construction in progress	—	1,886,153	2,440,368	183,605	156,937	263	(4,667,326)	—
Acquisition of subsidiary	—	9,070	1,399	1,622	1,291	—	19,328	32,710
Reclassified from investment property	—	18,470	—	—	—	(18,470)	—	—
Acquisitions of business under common control	—	(24,892)	(4,257)	(726)	(187)	—	—	(30,062)
Disposals	(3,022)	(34,954)	(199,914)	(15,936)	(36,617)	(6,536)	—	(296,979)
Transfer to construction in progress	—	(18,409)	(23,128)	(476)	—	—	42,013	—
Reclassified to investment property	—	(163)	—	—	—	163	—	—
Reclassified to intangible assets	—	—	—	—	—	—	(42,677)	(42,677)
At 31 December 2013	8,156	14,386,994	16,309,809	1,470,394	1,453,588	235,127	5,211,378	39,075,446

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group (continued)

	Leasehold improvements	Land, buildings and structures	Equipment	Motor vehicles	Furniture, fixtures and others	Investment property	Construction in progress	Total
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Accumulated depreciation:								
At 1 January 2011	1,631	1,792,935	4,371,000	379,473	506,143	132,321	—	7,183,503
Depreciation charge for the year	2,302	242,842	795,998	79,167	103,911	4,153	—	1,228,373
Written back on disposal	—	(7,232)	(464,466)	(28,366)	(30,302)	—	—	(530,366)
Reclassified to investment property	—	(501)	—	—	—	501	—	—
At 31 December 2011	3,933	2,028,044	4,702,532	430,274	579,752	136,975	—	7,881,510
Depreciation charge for the year	1,900	327,842	882,209	98,985	157,669	3,990	—	1,472,595
Written back on disposal	—	(11,828)	(108,166)	(44,979)	(14,611)	(4,094)	—	(183,678)
Reclassified to investment property	—	(9,577)	—	—	—	9,577	—	—
At 31 December 2012	5,833	2,334,481	5,476,575	484,280	722,810	146,448	—	9,170,427
Depreciation charge for the year	1,609	511,874	1,138,548	135,274	164,085	3,916	—	1,955,306
Reclassified from investment property	—	10,147	—	—	—	(10,147)	—	—
Acquisition of business under common control	—	(11,844)	(1,510)	(41)	(386)	—	—	(13,781)
Written back on disposal	(3,023)	(39,721)	(171,812)	(12,725)	(32,339)	(3,776)	—	(263,396)
Reclassified to investment property	—	(41)	—	—	—	41	—	—
At 31 December 2013	4,419	2,804,896	6,441,801	606,788	854,170	136,482	—	10,848,556
Accumulated impairment losses:								
At 1 January 2011	—	29,251	172,421	7,792	8,388	15,894	—	233,746
Written back on disposal	—	—	(2,110)	(132)	(2,391)	—	—	(4,633)
Reclassified to investment property	—	(385)	—	—	—	385	—	—
At 31 December 2011	—	28,866	170,311	7,660	5,997	16,279	—	229,113
Impairment losses charge for the year	—	—	—	—	—	—	9,455	9,455
Written back on disposal	—	—	(3,663)	(881)	(210)	—	—	(4,754)
Reclassified to investment property	—	(590)	—	—	—	590	—	—
At 31 December 2012	—	28,276	166,648	6,779	5,787	16,869	9,455	233,814
Impairment losses charge for the year	—	—	1,246	—	—	—	—	1,246
Transfer from construction in progress	—	—	179	—	—	—	(179)	—
Reclassified from investment property	—	2,489	—	—	—	(2,489)	—	—
Acquisition of business under common control	—	—	(331)	(91)	(423)	—	—	(845)
Written back on disposal	—	(10)	(3,693)	(487)	(175)	—	(22)	(4,387)
At 31 December 2013	—	30,755	164,049	6,201	5,189	14,380	9,254	229,828
Net book value:								
At 31 December 2011	1,515	7,499,258	6,869,518	595,494	495,409	94,143	6,506,926	22,062,263
At 31 December 2012	5,345	10,157,050	8,371,555	722,445	570,519	96,390	5,372,050	25,295,354
At 31 December 2013	3,737	11,551,343	9,703,959	857,405	594,229	84,265	5,202,124	27,997,062

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company

	Equipment	Motor vehicles	Furniture, Fixtures and others	Construction in progress	Total
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Cost:					
At 1 January 2011	38,282	3,365	1,412	37	43,096
Additions	18,613	4,189	1,294	7,249	31,345
Transfer to intangible assets	—	—	—	(1,673)	(1,673)
Disposals	(3,954)	(867)	(549)	—	(5,370)
At 31 December 2011	52,941	6,687	2,157	5,613	67,398
Additions	8,460	—	6,828	114,713	130,001
Transfer from construction in progress	4,085	—	2,510	(6,595)	—
Transfer to intangible assets	—	—	—	(33,104)	(33,104)
Reclassified	(31,917)	—	31,917	—	—
At 31 December 2012	33,569	6,687	43,412	80,627	164,295
Additions	2,719	—	3,380	95,934	102,033
Transfer from construction in progress	12,803	632	578	(14,013)	—
Transfer to intangible assets	—	—	—	(20,953)	(20,953)
Investment to subsidiary	(49,091)	(1,195)	(3,158)	(125,628)	(179,072)
At 31 December 2013	—	6,124	44,212	15,967	66,303
Accumulated depreciation:					
At 1 January 2011	11,530	1,394	412	—	13,336
Depreciation charge for the year	7,146	391	269	—	7,806
Written back on disposals	(3,517)	(867)	(329)	—	(4,713)
At 31 December 2011	15,159	918	352	—	16,429
Depreciation charge for the year	2,511	806	6,616	—	9,933
Reclassified	(13,952)	—	13,952	—	—
At 31 December 2012	3,718	1,724	20,920	—	26,362
Depreciation charge for the year	2,755	814	7,763	—	11,332
Investment to subsidiary	(6,473)	(159)	(1,182)	—	(7,814)
At 31 December 2013	—	2,379	27,501	—	29,880
Net book value:					
At 31 December 2011	37,782	5,769	1,805	5,613	50,969
At 31 December 2012	29,851	4,963	22,492	80,627	137,933
At 31 December 2013	—	3,745	16,711	15,967	36,423

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Fixed assets held under finance leasing

At 21 March 2011, CNR Changchun Railway Vehicles Co., Ltd. the subsidiary of the Group entered into an agreement of sales and leaseback which result in a finance leasing with Liang Tong leasing Co., Ltd. The cost and the net book value of fixed assets held under finance leasing under the agreements above were approximately RMB 1,146.66 million and RMB 809.05 million at the end of the reporting period of 2011. The detail information about the fixed assets held under finance leasing is as follows:

	At 31 December 2011		
	Cost	**Accumulated depreciation**	**Net book value**
	RMB '000	*RMB '000*	*RMB '000*
Equipment	773,105	74,730	698,375
Furniture, fixtures and others	18,426	3,448	14,978
Motor vehicles	17,514	3,211	14,303
Total	809,045	81,389	727,656

(b) Machinery and equipment leased out under operating lease

The Group leases out a number of items of machinery and equipment to another companies under operating leases. The aggregate net book value of these assets as at 31 December 2011, 2012 and 2013 amounted to RMB 328.21 million, RMB 358.14 million and RMB 87.25 million respectively.

12 LEASE PREPAYMENTS

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB '000	*RMB '000*	*RMB '000*
Carrying amount at the beginning of the year, net of accumulated amortisation	7,415,269	8,698,547	9,126,850
Additions	1,442,752	608,129	1,104,049
Acquisition of subsidiaries	—	—	16,255
Disposals	(79)	(2,855)	(86,337)
Acquisitions of business under common control	—	—	(3,555)
Amortisation	(159,395)	(176,971)	(190,699)
Carrying amount at the end of year	8,698,547	9,126,850	9,966,563

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB '000	*RMB '000*	*RMB '000*
Carrying amount at the beginning of the year, net of accumulated amortisation	—	27,266	30,997
Additions	27,312	4,360	—
Amortisation	(46)	(629)	(592)
Investment to subsidiary	—	—	(30,405)
Carrying amount at the end of year	27,266	30,997	—

13 GOODWILL

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Cost:			
At the beginning of year	—	—	13,557
Acquisitions of subsidiaries	—	13,557	—
At the end of year	—	13,557	13,557
Accumulated impairment losses:			
At the beginning of year	—	—	—
Impairment charged for the year	—	—	—
At the end of year	—	—	—
Carrying amount at the end of year	**—**	**13,557**	**13,557**

The Group acquired 51% interest of Beijing Tsinghua Software Information Technology Co., Ltd. with a consideration of RMB 29.77 million in January 2012 and RMB 13.56 million was recognized as goodwill.

14 INTANGIBLE ASSETS

The Group

	Patents and trademarks	Computer software and others	Total
	RMB '000	*RMB '000*	*RMB '000*
Cost:			
At 1 January 2011	215,047	286,882	501,929
Additions	41,469	94,140	135,609
Disposals	(8,826)	(2,676)	(11,502)
At 31 December 2011	247,690	378,346	626,036
Additions	2,468	73,763	76,231
Acquisitions of subsidiaries	1,939	410	2,349
Disposals	—	(786)	(786)
At 31 December 2012	252,097	451,733	703,830
Additions	35,977	317,564	353,541
Acquisitions of subsidiaries	24,406	9	24,415
Disposals	—	(1,041)	(1,041)
At 31 December 2013	312,480	768,265	1,080,745
Accumulated amortization and impairment losses:			
At 1 January 2011	104,174	117,578	221,752
Amortization and impairment loss charge for the year	22,464	46,888	69,352
Written back on disposal	(5,817)	(2,676)	(8,493)
At 31 December 2011	120,821	161,790	282,611
Amortization and impairment loss charge for the year	21,877	51,677	73,554
Written back on disposal	—	(637)	(637)
At 31 December 2012	142,698	212,830	355,528
Amortization and impairment losses charge for the year	23,420	62,085	85,505
Written back on disposal	—	(93)	(93)
At 31 December 2013	166,118	274,822	440,940

14 INTANGIBLE ASSETS (CONTINUED)

The Group (continued)

	Patents and trademarks	Computer software and others	Total
	RMB '000	*RMB '000*	*RMB '000*
Net book value:			
At 31 December 2011	126,869	216,556	343,425
At 31 December 2012	109,399	238,903	348,302
At 31 December 2013	146,362	493,443	639,805

The Company

	Computer software and others
	RMB '000
Cost:	
At 1 January 2011	17,756
Additions	13,294
Disposals	(85)
At 31 December 2011	30,965
Additions	30,175
Disposals	—
At 31 December 2012	61,140
Additions	22,419
Investment to the subsidiary	(19,181)
At 31 December 2013	64,378
Accumulated amortization:	
At 1 January 2011	1,617
Amortization charge for the year	4,668
Written back on disposal	(85)
At 31 December 2011	6,200
Amortization charge for the year	6,715
Written back on disposal	—
At 31 December 2012	12,915
Amortization charge for the year	11,056
Investment to the subsidiary	(6,173)
At 31 December 2013	17,798
Net book value:	
At 31 December 2011	24,765
At 31 December 2012	48,225
At 31 December 2013	46,580

15 INVESTMENTS IN SUBSIDIARIES

The Company

	At 31 December 2011	At 31 December 2012	At 31 December 2013
	RMB '000	*RMB '000*	*RMB '000*
Unlisted shares, at cost	19,858,006	27,308,671	29,541,690
Less: impairment loss	—	—	—
	19,858,006	27,308,671	29,541,690

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group as at 31 December 2013.

Name of the company	Place of incorporation and operation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the company	Proportion of ownership interest: Held by a subsidiary	Principal Activities
		RMB'000				
Qiqihar Railway Vehicle Equipment Co., Ltd. 齊齊哈爾軌道交通裝備有限責任公司	The PRC	778,000	100%	100%	—	Manufacture and refurbishment of railway transportation equipment and components
CNR Qiqihar Rolling Stock Co., Ltd. 北車齊齊哈爾鐵路車輛有限責任公司	The PRC	3,000,000	100%	100%	—	Manufacture of railway transportation equipment and components
Changchun Railway Vehicle Equipment Co., Ltd. 長春軌道客車裝備有限責任公司	The PRC	409,330	93.54%	—	100%	Manufacture and selling of passenger coaches and components
Tangshan Railway Vehicle Co., Ltd. 唐山軌道客車有限責任公司	The PRC	2,257,000	100%	100%	—	Manufacture of railway transportation equipment, high-speed MUs, rapid transit vehicles and components
Changchun Railway Vehicle Co., Ltd. 長春軌道客車股份有限公司	The PRC	2,452,800	93.54%	93.54%	—	Design and manufacture of passenger coaches, high-speed MUs, rapid transit vehicles and components
CNR Dalian Locomotive & Rolling Stock Co. Ltd. 中國北車集團大連機車車輛有限公司	The PRC	2,443,000	100%	100%	—	Manufacture and refurbishment of locomotives and components
Beijing Feb. 7th Railway Vehicle Equipment Co., Ltd. 北京二七軌道交通裝備有限責任公司	The PRC	396,000	100%	100%	—	Manufacture of railway vehicles and urban rapid transit vehicles
Beijing Nankou Railway Machinery Co., Ltd. 北京南口軌道交通機械有限責任公司	The PRC	305,000	100%	100%	—	Manufacture of locomotives components

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Company (continued)

Name of the company	Place of incorporation and operation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal Activities
		RMB'000				
CNR Construction and Engineering Co., Ltd. 北車建設工程有限責任公司	The PRC	300,000	100%	100%	—	Project management contracting, sales of machinery and construction materials and leasing of machinery equipment
Tianjin JL Railway Transportation Equipment Co., Ltd. 天津機輛軌道交通裝備有限責任公司	The PRC	166,000	100%	100%	—	Manufacture of rail transportation equipment; manufacturing of locomotives components
CNR Datong Electric Locomotive Co., Ltd. 中國北車集團大同電力機車有限責任公司	The PRC	656,000	100%	100%	—	Manufacture and refurbishments of locomotives and components
Taiyuan Railway Transportation Equipment Co., Ltd. 太原軌道交通裝備有限責任公司	The PRC	327,000	100%	100%	—	Manufacture and refurbishments of locomotives and components
Yongji Xinshisu Electric Equipment Co., Ltd. 永濟新時速電機電器有限責任公司	The PRC	630,000	100%	100%	—	Manufacture and refurbishment of general mechanical and electrical equipment
Jinan Railway Vehicle Equipment Co., Ltd. 濟南軌道交通裝備有限責任公司	The PRC	1,088,700	100%	100%	—	Manufacture and refurbishment of locomotives, freight wagons and components
Xi'an Railway Vehicle Equipment Co., Ltd. 西安軌道交通裝備有限責任公司	The PRC	610,000	100%	100%	—	Refurbishment of passenger coaches and freight wagons research and development and manufacture of railway box wagons
CNR Lanzhou Locomotive Co., Ltd. 北車蘭州機車有限公司	The PRC	229,261	100%	100%	—	Refurbishment of diesel and electric locomotives
CNR Import & Export Co., Ltd. 北車進出口有限公司	The PRC	100,000	100%	100%	—	Sales of rolling stock equipment
Beijing CNR Logistics Development Co., Ltd. 北京北車物流發展有限責任公司	The PRC	300,000	100%	92%	8%	Logistics services, agent of international freight and trading of raw materials

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Company (continued)

Name of the company	Place of incorporation and operation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal Activities
		RMB'000				
CNR Dalian Locomotive Research Institute Co., Ltd. 中國北車集團大連機車研究所有限公司	The PRC	186,000	100%	100%	—	Research and development, and manufacture of locomotives machinery and electronic devices
Qingdao Sifang Rolling Stock Research Institute Co., Ltd. 青島四方車輛研究所有限公司	The PRC	606,000	100%	100%	—	Research and development and manufacture of vehicles, components and related equipment
Beijing Tsinghua Software Information Technology Co., Ltd. 北京清軟英泰信息技術有限公司	The PRC	17,000	51%	51%	—	Provide training of computer technology, basic software related services, applicant software related services, computer systematics services and data processing services
CNR Investment & Leasing Cor., Ltd. 北車投資租賃有限公司	The PRC	800,000	100%	100%	—	Leasing and sales of transportation vehicles and machinery equipment
Beijing CNR Railway Transportation Equipment Co., Ltd. 北京北車中鐵軌道交通裝備有限公司	The PRC	20,000	51%	51%	—	Manufacture of locomotive components; import and export of goods and project management contracting
Shanghai Railway Equipment Development Co., Ltd. 上海軌道交通設備發展有限公司	The PRC	676,041	51%	51%	—	Manufacture and refurbishment of rapid transit vehicles
CNR (Hong Kong) Corporation Limited 北車（香港）有限公司	Hong Kong	30,715	100%	100%	—	Manufacture and refurbishment of railway vehicle (including MUs), rapid transit vehicles and merger and acquisition
CNR Shenyang Locomotive & Rolling Stock Co., Ltd. 中國北車集團瀋陽機車車輛有限責任公司	The PRC	951,532	100%	100%	—	Manufacture and refurbishment of freight wagons

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Company (continued)

Name of the company	Place of incorporation and operation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal Activities
		RMB'000				
CNR Financial Co., Ltd. 中國北車集團財務有限公司	The PRC	1,200,000	83.33%	83.33%	—	Take deposits and provide entrusted loans with the subsidiaries and China Northern Locomotive & Rolling Stock Industry (Group) Corporation and its affiliates
CNR Southern Co., Ltd. 北車南方有限公司	The PRC	—	100%	100%	—	Research and development, design and sales of railway vehicles (including MUs) and rapid transit vehicles
CNR Dalian Electric Traction R&D Centre Co., Ltd. 北車大連電力牽引研發中心有限公司	The PRC	388,000	100%	100%	—	Research and development of electric traction and control technologies and manufacture and sales of applicant services and related products

The English translation of the company names for entities established in the PRC is for reference only. The official names of the companies established in the PRC are in Chinese.

16 INTEREST IN ASSOCIATES

The Group

	At 31 December 2011	2012	2013
	RMB '000	RMB '000	RMB '000
Share of net assets	1,050,573	1,004,864	1,040,052

The following list contains only the particulars of material associates, all of which are unlisted corporate entities, and principally affected the results or assets of the Group as at 31 December 2013.

Name of associates	Form of business structure	Place of establishment/ incorporation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by subsidiary	Principal activities
Beijing Nankou Railway Bearings Co. Ltd., 北京南口斯凱孚鐵路軸承有限公司	Incorporation	The PRC	RMB 193,457,459	49%	—	49%	Manufacturing and selling of locomotive bearing

16 INTEREST IN ASSOCIATES (CONTINUED)

The Group (continued)

Name of associates	Form of business structure	Place of establishment/ incorporation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by subsidiary	Principal activities
Datong ABB Traction Transformer Co., Ltd. 大同ABB牽引變壓器有限公司	Incorporation	The PRC	US$ 6,000,000	50%	—	50%	Manufacturing and selling of locomotive transformer
Xi'an Alstom Yongji Electric Equipment Co., Ltd. 西安阿爾斯通永濟電氣設備有限公司	Incorporation	The PRC	EUR 2,660,000	49%	—	49%	Selling of electric control system
Shanghai Alstom Transport Electric Equipment Co., Ltd. 上海阿爾斯通交通電氣設備有限公司	Incorporation	The PRC	RMB 100,000,000	20.40%	—	40%	Manufacturing and selling of traction equipment
Alstom Qingdao Railway Equipment Co., Ltd. 青島阿爾斯通鐵路設備有限公司	Incorporation	The PRC	RMB 10,000,000	49%	—	49%	Selling of electric control system
Xinyang Amsted Tonghe Wheels Co., Ltd. 信陽同合車輪有限公司	Incorporation	The PRC	US$ 52,173,900	19%	10%	9%	Manufacturing and selling of locomotives and rolling stock
Tianjin Electric Locomotive Co., Ltd. 天津電力機車有限公司	Incorporation	The PRC	RMB 960,000,000	43.75%	43.75%	—	Electric locomotive manufacturing
Tangshan Tang-che Railway Transportation Equipment Co., Ltd. 唐山唐車威奧軌道交通設備有限公司	Incorporation	The PRC	RMB 150,000,000	25%	—	25%	Manufacturing and selling of locomotives and rolling stock

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

The English translation of the company names for entities established in the PRC is for reference only. The official names of the companies established in the PRC are in Chinese.

There is no significant adjustment for any differences in accounting policies in material associates.

16 INTEREST IN ASSOCIATES (CONTINUED)

The Group (continued)

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

(1) Summary of financial information of the material associates:

Name of Associate	Year ended 31 December 2011 Total assets	Total liabilities	Net assets	Revenue	Profit/ (Loss)
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Beijing Nankou Railway Bearings Co. Ltd., 北京南口斯凱孚鐵路軸承有限公司	347,902	74,155	273,747	397,502	40,881
Datong ABB Traction Transformer Co., Ltd. 大同ABB牽引變壓器有限公司	792,413	562,844	229,569	761,829	159,720
Xi'an Alstom Yongji Electric Equipment Co., Ltd. 西安阿爾斯通永濟電氣設備有限公司	85,292	46,108	39,184	53,828	3,295
Shanghai Alstom Transport Electric Equipment Co., Ltd. 上海阿爾斯通交通電氣設備有限公司	445,682	286,913	158,769	314,931	39,720
Alstom Qingdao Railway Equipment Co., Ltd. 青島阿爾斯通鐵路設備有限公司	99,500	25,284	74,216	91,839	24,792
Xinyang Amsted Tonghe Wheels Co., Ltd. 信陽同合車輪有限公司	1,368,460	619,669	748,791	870,875	113,836
Tianjin Electric Locomotive Co., Ltd. 天津電力機車有限公司	960,000	—	960,000	—	—
Tangshan Tang-che Railway Transportation Equipment Co., Ltd. 唐山唐車威奧軌道交通設備有限公司	276,964	159,562	117,402	2,665	(30,133)

Name of Associate	Year ended 31 December 2012 Total assets	Total liabilities	Net assets	Revenue	Profit/ (Loss)
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Beijing Nankou Railway Bearings Co. Ltd., 北京南口斯凱孚鐵路軸承有限公司	423,894	116,476	307,418	540,182	63,049
Datong ABB Traction Transformer Co., Ltd. 大同ABB牽引變壓器有限公司	610,663	417,349	193,314	619,130	107,225
Xi'an Alstom Yongji Electric Equipment Co., Ltd. 西安阿爾斯通永濟電氣設備有限公司	62,325	18,362	43,963	98,051	3,199
Shanghai Alstom Transport Electric Equipment Co., Ltd. 上海阿爾斯通交通電氣設備有限公司	415,467	289,823	125,644	349,490	31,038
Alstom Qingdao Railway Equipment Co., Ltd. 青島阿爾斯通鐵路設備有限公司	119,247	38,343	80,904	109,165	35,689
Xinyang Amsted Tonghe Wheels Co., Ltd. 信陽同合車輪有限公司	949,380	276,139	673,241	710,845	72,570
Tianjin Electric Locomotive Co., Ltd. 天津電力機車有限公司	1,581,565	670,849	910,716	96,020	(34,350)
Tangshan Tang-che Railway Transportation Equipment Co., Ltd. 唐山唐車威奧軌道交通設備有限公司	287,012	183,427	103,585	13,801	(13,816)

16 INTEREST IN ASSOCIATES (CONTINUED)

(1) Summary of financial information of the material associates: (continued)

Name of Associate	Year ended 31 December 2013 Total assets	Total liabilities	Net assets	Revenue	Profit/ (loss)
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Beijing Nankou SKF Railway Bearings Co., Ltd. 北京南口斯凱孚鐵路軸承有限公司	442,180	95,976	346,204	416,499	38,836
Datong ABB Traction Transformer Co., Ltd. 大同ABB牽引變壓器有限公司	557,113	359,586	197,527	572,075	111,439
Xi'an Alstom Yongji Electric Equipment Co., Ltd. 西安阿爾斯通永濟電氣設備有限公司	109,174	49,238	59,936	105,758	15,973
Shanghai Alstom Transport Electric Equipment Co., Ltd. 上海阿爾斯通交通電氣設備有限公司	546,829	391,154	155,675	373,535	31,619
Alstom Qingdao Railway Equipment Co., Ltd. 青島阿爾斯通鐵路設備有限公司	165,178	62,577	102,601	134,273	39,617
Xinyang Amsted Tonghe Wheels Co., Ltd. 信陽同合車輪有限公司	990,964	440,078	550,886	616,338	47,645
Tianjin Electric Locomotive Co., Ltd. 天津電力機車有限公司	1,640,001	758,112	881,889	198,986	(28,826)
Tangshan Tang-che Railway Transportation Equipment Co., Ltd. 唐山唐車威奧軌道交通設備有限公司	264,572	182,005	82,567	10,015	(21,048)

(2) Reconciliation of the summarised financial information presented to the carrying amounts of the Group's interest in the material associates:

	At 31 December 2011	2012	2013
	RMB '000	RMB '000	RMB '000
Beijing Nankou Railway Bearings Co. Ltd., 北京南口斯凱孚鐵路軸承有限公司	134,136	150,635	169,640
Datong ABB Traction Transformer Co., Ltd. 大同ABB牽引變壓器有限公司	114,785	96,657	98,764
Xi'an Alstom Yongji Electric Equipment Co., Ltd. 西安阿爾斯通永濟電氣設備有限公司	19,200	21,542	29,369
Shanghai Alstom Transport Electric Equipment Co., Ltd. 上海阿爾斯通交通電氣設備有限公司	63,508	50,258	62,270
Alstom Qingdao Railway Equipment Co., Ltd. 青島阿爾斯通鐵路設備有限公司	36,366	39,643	50,274
Xinyang Amsted Tonghe Wheels Co., Ltd. 信陽同合車輪有限公司	142,270	127,916	114,168
Tianjin Electric Locomotive Co., Ltd. 天津電力機車有限公司	42,000	398,438	385,826
Tangshan Tang-che Railway Transportation Equipment Co., Ltd. 唐山唐車威奧軌道交通設備有限公司	29,351	25,896	20,642

Aggregate information of associates that are not individually material:

	At 31 December 2011	2012	2013
	RMB '000	RMB '000	RMB '000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	41,466	43,410	62,290

16 INTEREST IN ASSOCIATES (CONTINUED)

(2) Reconciliation of the summarised financial information presented to the carrying amounts of the Group's interest in the material associates: (continued)

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Aggregate amounts of the Group's share of those associates' profit from continuing operations	5,192	3,082	1,474
Total comprehensive income	5,192	3,082	1,474

17 INTEREST IN JOINT VENTURES

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Share of net assets	703,031	783,053	944,177

The following list contains only the particulars of material joint ventures, as at 31 December 2013, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of associates	Form of business structure	Place of establishment/ incorporation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by subsidiary	Principal activities
Hitachi Yonge Electric Equipment Co., Ltd. 日立永濟電器設備公司	Incorporation	The PRC	US$ 35,460,000	50%	—	50%	Manufacturing and selling of locomotives accessories
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd. 瀋陽北車西屋軌道制動技術有限公司	Incorporation	The PRC	RMB 138,000,000	50%	—	50%	Manufacturing and selling of locomotives accessories
Qingdao FAIVELEY SRI Rail Brake Co., Ltd 青島四方法維萊軌道制動有限公司	Incorporation	The PRC	RMB 30,000,000	50%	—	50%	Manufacturing and selling of locomotives accessories
Dalian Toshiba Locomotive Electric Equipment Co., Ltd. 大連東芝機車電氣設備有限公司	Incorporation	The PRC	US$ 7,416,500	50%	—	50%	Manufacturing and selling of locomotives accessories
Changchun Bombardier Railway Vehicles Co., Ltd. 長春長客-龐巴迪軌道車輛有限公司	Incorporation	The PRC	RMB 239,450,000	46.77%	—	50%	Manufacturing and selling of locomotives accessories
Changchun Diandi Int'l Industrial Co., Ltd. 長春帝安帝國際實業有限責任公司	Incorporation	The PRC	US$ 900,000	46.77%	—	50%	Manufacturing and selling of locomotives accessories

17 INTEREST IN JOINT VENTURES (CONTINUED)

Name of associates	Form of business structure	Place of establishment/ incorporation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by subsidiary	Principal activities
Beijing Danobat CNR Feb. 7th Machine Tools Manufacturing Co., Ltd. 北京北車二七達諾巴特機床製造有限公司	Incorporation	The PRC	RMB 10,000,000	50.1%	—	50.1%	Research, development and manufacturing of numerical control machine tools

The English translation of the company names for entities established in the PRC is for reference only. The official names of the companies established in the PRC are in Chinese.

There is no significant adjustment for any differences in accounting policies in material joint ventures.

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

(1) Summary of financial information of the material joint ventures:

Name of Joint Venture	Year ended 31 December 2011: Total assets	Total liabilities	Net assets	Revenue	Profit/ (Loss)
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Hitachi Yonge Electric Equipment Co., Ltd. 日立永濟電器設備公司	1,405,750	981,638	424,112	716,682	45,680
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd. 瀋陽北車西屋軌道制動技術有限公司	228,408	72,811	155,597	197,231	3,742
Qingdao FAIVELEY SRI Rail Brake Co., Ltd 青島四方法維萊軌道制動有限公司	340,264	223,669	116,565	509,151	66,982
Dalian Toshiba Locomotive Electric Equipment Co., Ltd. 大連東芝機車電氣設備有限公司	1,969,615	1,603,283	366,332	1,847,319	97,211
Changchun Bombardier Railway Vehicles Co., Ltd. 長春長客-龐巴迪軌道車輛有限公司	1,049,447	742,341	307,106	77,559	(35,854)
Changchun Diandi Int'l Industrial Co., Ltd. 長春帝安帝國際實業有限責任公司	41,667	12,829	28,838	71,815	2,239

17 INTEREST IN JOINT VENTURES (CONTINUED)

(1) Summary of financial information of the material joint ventures: (continued)

Name of Joint Venture	Year ended 31 December 2012				
	Total assets	Total liabilities	Net assets	Revenue	Profit/ (Loss)
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Hitachi Yongji Electric Equipment Co. Ltd. 日立永濟電器設備公司	1,741,027	1,229,318	511,709	868,551	87,597
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd. 瀋陽北車西屋軌道制動技術有限公司	210,807	60,937	149,870	155,931	(5,727)
Qingdao FAIVELEY SRI Rail Brake Co., Ltd 青島四方法維萊軌道制動有限公司	292,349	129,092	163,257	292,617	46,692
Dalian Toshiba Locomotive Electric Equipment Co., Ltd. 大連東芝機車電氣設備有限公司	1,821,034	1,421,225	399,809	1,809,627	91,317
Changchun Bombardier Railway Vehicles Co., Ltd. 長春長客-龐巴迪軌道車輛有限公司	1,358,254	1,048,815	309,439	483,343	2,334
Changchun Diandi Int'l Industrial Co., Ltd. 長春帝安帝國際實業有限責任公司	33,335	2,762	30,573	30,037	1,735

Name of Joint Venture	Year ended 31 December 2013				
	Total assets	Total liabilities	Net assets	Revenue	Profit/ (Loss)
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Hitachi Yonge Electric Equipment Co., Ltd. 日立永濟電器設備公司	1,834,635	1,125,251	709,384	1,016,143	210,035
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd. 瀋陽北車西屋軌道制動技術有限公司	210,493	66,537	143,956	136,541	(5,914)
Qingdao FAIVELEY SRI Rail Brake Co., Ltd 青島四方法維萊軌道制動有限公司	427,044	236,010	191,034	313,428	26,495
Dalian Toshiba Locomotive Electric Equipment Co., Ltd. 大連東芝機車電氣設備有限公司	2,473,624	1,987,136	486,488	2,036,373	141,013
Changchun Bombardier Railway Vehicles Co., Ltd. 長春長客-龐巴迪軌道車輛有限公司	1,227,953	909,834	318,119	672,240	8,680
Changchun Diandi Int'l Industrial Co., Ltd. 長春帝安帝國際實業有限責任公司	34,459	1,506	32,953	25,507	2,381

(2) Reconciliation of the summarised financial information presented to the carrying amounts of the Group's interest in joint ventures:

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Hitachi Yonge Electric Equipment Co., Ltd. 日立永濟電器設備公司	212,056	255,855	354,692
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd. 瀋陽北車西屋軌道制動技術有限公司	77,799	74,935	71,978
Qingdao FAIVELEY SRI Rail Brake Co., Ltd 青島四方法維萊軌道制動有限公司	58,283	81,629	95,517
Dalian Toshiba Locomotive Electric Equipment Co., Ltd. 大連東芝機車電氣設備有限公司	183,166	199,905	243,244
Changchun Bombardier Railway Vehicles Co., Ltd. 長春長客-龐巴迪軌道車輛有限公司	153,553	154,720	159,060
Changchun Diandi Int'l Industrial Co., Ltd. 長春帝安帝國際實業有限責任公司	14,419	15,287	16,477

18 OTHER NON-CURRENT ASSETS

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Long-term trade receivables			
— third parties	—	12,914	1,088,926
Long-term construction contract receivables			
— third parties	—	1,646,948	4,443,657
Long-term finance leasing receivables			
— third parties	1,338,482	3,537,444	5,837,420
Less: allowance for doubtful debts	2,592	1,655	61,601
	1,335,890	5,195,651	11,308,402
Less: current portion of long-term receivables	402,473	1,040,256	4,239,021
Available-for-sale investments	140,454	147,390	158,823
Less: impairment loss	—	—	24,727
	1,073,871	4,302,785	7,203,477
Investment prepayment	—	100,000	—
Other intangible assets prepayments	—	—	123,190
Long-term prepaid expenses	1,126	771	1,143
Long-term prepayments for property, plant and equipment	852,140	1,033,719	1,049,142
	853,266	1,134,490	1,173,475
	1,927,137	5,437,275	8,376,952

The Company

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Loans to subsidiaries	5,041,680	10,743,795	15,760,448
Investment prepayment	—	75,890	1,980
	5,041,680	10,819,685	15,762,428

19 CONSTRUCTION CONTRACTS

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Contract costs incurred plus recognized profits less recognized losses in connection with construction contracts in progress	13,730	1,681,453	26,562
Less: progress billings	1,663	1,669,253	23,193
Gross amounts due to customers for contract work	12,067	12,200	3,369

The gross amounts due from customers for contract work as at 31 December 2011, 2012 and 2013 that were expected to be recovered after more than one year were nil, RMB 1,638.94 million and RMB 2,249.15 million respectively.

20 INVENTORIES

Inventories in the consolidated statements of financial position:

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB '000	*RMB '000*	*RMB '000*
Cost, net of provision			
Raw materials	11,143,583	8,317,891	7,514,808
Work in progress	17,835,340	13,939,966	9,099,758
Finished goods	1,872,551	2,347,167	1,947,423
Others	267,988	109,174	74,801
	31,119,462	24,714,198	18,636,790

(a) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB '000	*RMB '000*	*RMB '000*
Carrying amount of inventories sold	76,750,485	78,237,284	79,761,789

21 TRADE AND BILLS RECEIVABLES

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB '000	*RMB '000*	*RMB '000*
Trade receivables for sale of goods and rendering of services due from:			
— related parties	249,728	223,372	422,386
— third parties	15,951,295	22,036,932	31,057,779
	16,201,023	22,260,304	31,480,165
Less: allowance for doubtful debts	314,487	446,823	1,095,199
	15,886,536	21,813,481	30,384,966
Bills receivable for sale of goods and rendering of services due from:			
— related parties	1,106	12,810	4,247
— third parties	838,208	876,520	1,530,053
	839,314	889,330	1,534,300
Gross amounts due from customers for contract work	12,067	12,200	3,369
	16,737,917	22,715,011	31,922,635

Note: Trade and bills receivables include bills discounted to banks or endorsed to suppliers and factored trade receivables with recourse totalling RMB 607.04 million, RMB 63.00 million and RMB 1,373.68 million as at 31 December 2011, 2012 and 2013 respectively. These receivables were not derecognised as the Group remains exposes to the credit risk of these receivables. The carrying amounts of the associated bank loans and trade and bills payables were RMB 597.67 million, RMB 63.00 million and RMB 1,316.13 million as at 31 December 2011, 2012, and 2013 respectively.

21 TRADE AND BILLS RECEIVABLES (CONTINUED)

The Company

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Trade receivables for sale of goods and rendering of services due from:			
— subsidiaries	17,473	44,870	—
— third parties	5,116	5,901	1,001,871
	22,589	50,771	1,001,871
Less: allowance for doubtful debt	78	39	—
	22,511	50,732	1,001,871

(a) Aging analysis

The aging analysis of trade and bills receivables of the Group and the Company, based on invoice date and net of allowance for doubtful debts, is as follows:

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Within 6 months	12,744,470	15,620,247	25,087,470
6 to 12 months	2,703,512	4,587,754	3,389,604
Over 1 year	1,289,935	2,507,010	3,445,561
Trade and bills receivables, net of allowance for doubtful debts	16,737,917	22,715,011	31,922,635

The Group generally requires its customers to make payment before or upon delivery, however, the Group and the Company granted certain credit periods to those long standing customers with bulk purchases and good payment history. The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate.

The Company

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Within 6 months	20,212	45,469	1,001,871
6 to 12 months	1,596	4,951	—
Over 1 year	703	312	—
Trade and bills receivables, net of allowance for doubtful debts	22,511	50,732	1,001,871

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group and the Company is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see note 1(p)(i)).

21 TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Impairment of trade and bills receivables (continued)

The movement in the allowance for doubtful debts during the Track Record Period including both specific and collective loss components, is as follows:

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
At 1 January	222,316	314,487	446,823
Impairment losses recognized	102,202	174,103	656,246
Acquisition of subsidiaries	—	537	256
Reversal of impairment losses	(8,350)	(41,035)	(169)
Acquisition of business under common control	—	—	(661)
Uncollectible amounts written off	(1,681)	(1,269)	(7,296)
At the end of the year	314,487	446,823	1,095,199

As at 31 December 2011, 2012 and 2013, the Group's trade and bills receivables of RMB 17.10 million, RMB 22.11 million and RMB 901.72 million respectively were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of RMB 2.86 million, RMB 7.38 million, RMB 426.03 million were respectively recognized.

The Company

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
At 1 January	—	78	39
Impairment losses recognized	78	—	148
Reversal of impairment losses	—	(39)	(187)
At the end of the year	78	39	—

21 TRADE AND BILLS RECEIVABLES (CONTINUED)

(c) Trade and bills receivables those are not impaired

The aging analyses of trade and bills receivables of the Group that are neither individually nor collectively considered to be impaired are as follows:

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Neither past due nor impaired	9,211,280	10,522,994	18,729,188
Less than 1 month past due	1,167,004	1,125,017	2,701,647
1 to 3 months past due	778,383	1,352,933	2,209,832
3 to 12 months past due	1,489,489	2,716,060	2,798,885
More than 12 months past due	23,471	132,440	13,917
Amounts past due	3,458,347	5,326,450	7,724,281
	12,669,627	15,849,444	26,453,469

Receivables that were neither past due nor impaired related to customers and debtors for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group or entered into collateral with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of their balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

22 PREPAYMENTS, DEPOSITS, AND OTHER RECEIVABLES

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Derivative financial instruments	30,918	19,650	4,907
Dividend receivables	62,270	24,204	20,694
Interest receivables	1,621	1,743	16,237
Current portion of long-term receivables	403,203	1,040,801	4,286,672
Prepayments for purchase of inventories			
— other related parties	70,453	24,712	14,120
— third parties	6,688,527	5,428,456	4,861,140
Advances to			
— other related parties	1,884	59	7,693
— third parties	230,348	447,708	934,503
Advances to staff	63,937	87,642	74,121
Other deposits	323,765	223,553	174,729
Others	618,601	586,328	815,963
Less: allowance for doubtful debts	107,985	100,726	382,107
	8,387,542	7,784,130	10,828,672

22 PREPAYMENTS, DEPOSITS, AND OTHER RECEIVABLES (CONTINUED)

The Company

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Entrust loans	10,515,110	10,218,925	9,613,350
Dividend receivables			
— subsidiaries	488,793	2,149,982	276,198
Interest receivables	32,403	41,060	44,424
Prepayments for purchase of inventories			
— subsidiaries	193,747	175,790	—
— third parties	191,519	242,302	—
Advances to subsidiaries	242,380	—	—
Advances to staff	51	20	90
Other deposits	6,013	6	3,200
Others	13,439	10,518	194,178
	11,683,455	12,838,603	10,131,440

(a) Impairment of deposits, prepayments and other receivables

Impairment losses in respect of deposits, prepayments and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against deposits, prepayments and other receivables directly (note 1(p)(i)).

The movement in the allowance for bad and doubtful accounts during the Track Record Period, including both specific and collective loss components, is as follows:

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
At 1 January	80,607	107,985	100,726
Impairment losses recognized	31,826	20,005	295,872
Acquisition of subsidiaries	—	181	—
Reversal of impairment losses	(4,100)	(27,438)	—
Disposal of a subsidiary	—	—	(14,445)
Uncollectible amounts written off	(348)	(7)	(46)
At the end of the year	107,985	100,726	382,107

23 RESTRICTED DEPOSITS

Restricted deposits mainly represent guarantee deposits and statutory deposit reserve funds. The guarantee deposits are pledged as collateral for bills payable and housing maintenance fund designated for specific purposes as requested by PRC regulations. And the subsidiary of the Company, CNR Financial Co., Ltd. places statutory deposit reserves with the People's Bank of China ("PBOC"), which are not available for use in the Group's daily business.

24 CASH AND CASH EQUIVALENTS

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Cash in hand	1,238	1,388	1,474
Cash at bank	5,893,506	8,378,365	7,112,934
Cash and cash equivalents	5,894,744	8,379,753	7,114,408

The Company

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Cash in hand	3	17	—
Cash at bank	891,114	1,163,835	286,922
Cash and cash equivalents	891,117	1,163,852	286,922

25 INTEREST-BEARING LOANS AND BORROWINGS

(a) The analysis of the long-term interest-bearing borrowings of the Group and the Company is as follows:

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Entrusted loans			
— Unsecured	5,500	5,500	—
Bank loans			
— Secured	—	—	5,000
— Unsecured	319,660	370,033	1,410,277
	325,160	375,533	1,415,277
Less: Current portion of long-term borrowings	100,000	350,000	—
	225,160	25,533	1,415,277

The Company

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Bank loans			
— Unsecured	—	—	490,000

25 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(b) The analysis of the short-term interest-bearing borrowings of the Group and the Company is as follows:

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Entrusted loans			
— Unsecured	1,200,000	20,000	601,980
Bank loans			
— Secured	565,516	50,000	1,243,132
— Unsecured	8,345,004	5,690,600	8,761,684
Other loans			
— Secured	—	—	8,000
Short-term inter-bank corporate bonds			
— Unsecured	7,987,852	13,984,474	9,994,357
Add: Current portion of long-term borrowings	100,000	350,000	—
	18,198,372	20,095,074	20,609,153

The Company

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Entrusted loans			
— Unsecured	1,750,000	1,100,000	5,396,980
Bank loans			
— Secured	—	—	987,832
— Unsecured	4,600,000	4,800,000	6,650,000
Short-term inter-bank corporate bonds			
— Unsecured	7,987,852	13,984,474	9,994,357
	14,337,852	19,884,474	23,029,169

(c) The interest rates per annum on borrowings of the Group and the Company are as follows:

The Group

	At 31 December		
	2011	2012	2013
	%	%	%
Long-term interest-bearing loans			
— Unsecured	0.20-6.70	0.20-6.21	0.20-4.20
Short-term interest-bearing loans and borrowings			
Entrusted loans	4.66-5.24	6.00-6.31	4.40
Bank loans	1.99-8.10	4.20-6.69	3.90-7.00
Others loans	—	—	10.00
Short-term inter-bank corporate bonds	4.35-5.43	3.39-5.43	3.75-5.30

25 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(c) The interest rates per annum on borrowings of the Group and the Company are as follows: (continued)

The Company

	At 31 December		
	2011	2012	2013
	%	%	%
Long-term interest-bearing loans			
— Unsecured	—	—	4.20
Short-term interest-bearing loans and borrowings			
Entrusted loans	3.10-5.49	3.05-5.40	3.05-4.48
Bank loans	5.85-7.22	5.04-5.15	3.90-5.60
Short-term inter-bank corporate bonds	4.35-5.43	3.39-5.43	3.75-5.30

(d) The analysis of the long-term loans repayable of the Group and the Company is as follows:

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Loans			
— Within one year, inclusive or on demand	113,776	448,089	58,581
— In the second year, inclusive	13,776	382	1,411,508
— In the third to fifth year, inclusive	41,299	785	5,237
— Beyond five years	293,775	20,915	21,133
	462,626	470,171	1,496,459

The Company

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Loans			
— Within one year, inclusive or on demand	—	—	20,580
— In the second year, inclusive	—	—	501,446
	—	—	522,026

26 TRADE AND BILLS PAYABLES

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Trade payables to			
— related parties	1,483,591	1,435,572	2,401,222
— third parties	21,217,144	22,219,447	25,623,403
	22,700,735	23,655,019	28,024,625
Bills payables to			
— related parties	151,264	354,201	198,917
— third parties	7,948,403	9,338,274	7,802,714
	8,099,667	9,692,475	8,001,631
	30,800,402	33,347,494	36,026,256

26 TRADE AND BILLS PAYABLES (CONTINUED)

The Group (continued)

As of each end of the reporting period, the aging analysis of trade and bills payables, based on the invoice date, is as follows:

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Within 6 months	24,650,047	28,350,412	30,725,880
6 to 12 months	5,167,177	4,337,742	4,205,000
Over 1 year	983,178	659,340	1,095,376
	30,800,402	33,347,494	36,026,256

27 OTHER PAYABLES AND ACCRUALS

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Interest payables			
— related parties	1,318	1,009	512
— third parties	222,818	205,007	280,978
Payables for staff related costs	687,898	683,706	619,555
Payables for other taxes and surcharges	783,610	1,021,926	1,691,172
Dividends payables	190,280	180,460	121,337
Other accruals and payables			
— related parties	65,761	56,346	515,362
— third parties	2,032,752	2,307,687	2,699,183
	3,984,437	4,456,141	5,928,099
Derivative financial liabilities	22,046	9,267	1,201
Receipts in advance			
— related parties	1,340	1,604	128,971
— third parties	11,338,640	6,340,281	10,004,859
	11,339,980	6,341,885	10,133,830
	15,346,463	10,807,293	16,063,130

The Company

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Interest payables			
— related parties	1,634	804	3,339
— third parties	208,247	202,779	265,519
Payables for staff related costs	13,334	13,522	15,697
Payables for other taxes and surcharges	1,781	2,880	2,016
Other accruals and payables			
— related parties	—	447,550	63,453
— third parties	62,248	77,228	139,739
Receipts in advance			
— related parties	9,000	10,299	—
— third parties	457,237	312,215	23,277
	753,481	1,067,277	513,040

28 DEFINED BENEFIT OBLIGATIONS

In addition to the monthly contributions to various defined contribution pension schemes regulated by the PRC government, the Group provided supplementary pension subsidies to certain qualified employees. The amounts of employee benefit obligations recognized in the statements of financial position represent the present value of the unfunded obligations.

The plans are funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The employee benefit obligations were determined based on actuarial valuation performed by Mercer Consulting, a member of the Society of Actuaries of the United States of America, using the projected unit credit method.

The plans expose the Group to actuarial risks, such as interest rate risk, and longevity risk. Since the retirement plans have similar risks and features, information about the plans is aggregated and disclosed below:

(a) The amounts recognized in the consolidated statements of financial position are as follows:

	At 31 December		
	2011	**2012**	**2013**
	RMB '000	*RMB '000*	*RMB '000*
Present value of wholly funded obligations	2,735,578	2,494,331	2,378,757

(b) Movements in the present value of the defined benefit obligations:

	At 31 December		
	2011	**2012**	**2013**
	RMB '000	*RMB '000*	*RMB '000*
At 1 January	2,951,699	2,735,578	2,494,331
Remeasurements:			
— Actuarial losses/(gain) arising from changes in financial assumptions	89,476	(45,460)	(219,797)
— Actuarial (gain)/losses arising from changes in other assumptions	(4,650)	80,202	204,897
	84,826	34,742	(14,900)
Benefits paid by the plans	(361,331)	(341,573)	(300,814)
Past service cost	(47,680)	(24,281)	110,387
Interest cost	108,064	89,865	89,753
Current portion at the end of year	290,621	264,611	247,518
Non-current portion at the end of year	2,444,957	2,229,720	2,131,239

The weighted average durations of the defined benefit obligations are listed as follows:

	At 31 December		
	2011	**2012**	**2013**
Early retirement benefit plan	3.4	3.2	3.1
Pension and subsidy plan outside retirement unified planning	11.9	11.7	10.6
Supplementary medical reimbursement plan	6.5	6.3	5.8

28 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

(c) Amounts recognized in the consolidated statements of profit or loss and other comprehensive income are as follows:

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Past service cost	(47,680)	(24,281)	110,387
Net interest on net defined benefit liabilities	108,064	89,865	89,753
Total amounts recognized in profit or loss	60,384	65,584	200,140
Actuarial losses/(gain)			
Total amounts recognized in other comprehensive income	84,826	34,742	(14,900)
Total defined benefit costs	145,210	100,326	185,240

The past service cost and the net interest on net defined benefit liabilities are recognized in the following line items in the consolidated statements of profit or loss:

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Administrative expenses	(47,680)	(24,281)	110,387
Finance cost	108,064	89,865	89,753
Actuarial losses/(gain)			
Total amounts recognized in other comprehensive income	84,826	34,742	(14,900)
Total defined benefit costs	145,210	100,326	185,240

(d) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

(i) Significant actuarial assumptions

	At 31 December		
	2011	2012	2013
Discount rate	2.9%-3.7%	3.1%-3.9%	4.4%-4.8%
Welfare annual growth rate	8%-9.5%	8%-9.5%	8%-9.5%
Growth rate of medical expenses	8.00%-10.00%	7.00%-9.00%	7.00%-8.00%
The average life expectancy is expected in the future	Reference in 2005 China Life Insurance Mortality Table (2000~2003)		

(ii) Sensitivity analysis

The below analysis shows how the defined benefit obligations would have increased (decreased) as a result of 0.5% change in the significant actuarial assumptions:

	At 31 December					
	2011		2012		2013	
	Increase In 0.5%	Decrease In 0.5%	Increase In 0.5%	Decrease In 0.5%	Increase In 0.5%	Decrease In 0.5%
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Welfare growth rate	133,297	(132,632)	121,337	(120,732)	109,982	(101,233)
Discount rate	(127,952)	140,569	(116,472)	127,957	(101,158)	111,075

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

29 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 26 October 2012, "China CNR Corporation Limited Share Option Scheme" (the "Share Option Scheme") which was effective from 1 November 2012 was approved at the general meeting. The eligible participants of the Share Option Scheme included the Company and subsidiaries' directors, senior management (independent non-executive directors and supervisors excluded), and key technical personnel and management personnel who have direct contribution to the performance and continuing development of the Group. According to the Share Option Scheme, the eligible participants have the right to subscribe the share option at RMB 4.34 per share. On 26 August 2013, the exercise price of the share option was modified to RMB 4.24 per share which was approved by the board of directors.

The Company granted 85,333,500 share options to the participants under the Share Option Scheme to subscribe for 85,333,500 shares. The number of the share options granted accounted for 0.82% of the total number of shares in issue, and have a validity period of 7 years. The share option granted shall become exercisable in three batches after the expiry of the two-year lock-up period from the grant date according to the following effective arrangements:

Percentage Exercisable	Date for vesting of the relevant percentage of the option
Lot1: 33% of the total share options granted	The first trading day after the expiration of the 24-month/2-year period following the grant date
Lot2: 33% of the total share options granted	The first trading day after the expiration of the 36-month/3-year period following the grant date
Lot3: 34% of the total share options granted	The first trading day after the expiration of the 48-month/4-year period following the grant date

As at 31 December 2013 and 2012, the accumulated amount of equity-settled share-based arrangement in capital reserve is RMB 38.59 million and RMB 5.39 million respectively. The share option expense during the year ended 31 December 2012 and 2013 were RMB 5.39 million and RMB 33.20 million, respectively.

As at 31 December 2013 and 2012, there were no exercised or expired share options.

(a) The terms and conditions of the grants are as follows:

	Number of Instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
— on 1 November 2012	3,612,000	2 years from the date of the grant	7 years
Options granted to employees:			
— on 1 November 2012	81,721,500	2 years from the date of the grant	7 years
Total share options granted	85,333,500		

29 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) The number and weighted average exercise prices of share options are as follows:

	Year ended 31 December		Year ended 31 December	
	2012		2013	
	Weighted average exercise price	Number of	Weighted average exercise price	Number of
Outstanding at the beginning of the year	—	—	4.34	85,333,500
Granted during the year	4.34	85,333,500	—	—
Outstanding at the end of the year	4.34	85,333,500	4.24	85,333,500

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes model. The contractual life of the share option is used as an input into this model.

Fair value of share options and assumptions

	At 1 November	At 26 August
	2012	2013
Fair value at measurement date	1.0522	1.1308
Share price	4.01	4.27
Exercise price	4.34	4.24
Expected volatility	31.206%	31.780%
Option life	7 years	7 years
Expected dividends	1.11%	2.21%
Risk-free interest rate	3.10%-3.26%	4.62%-4.63%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share option grants.

30 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the statements of financial position represents:

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Income tax payable at 1 January	85,079	156,030	273,238
Provision for the year (note 6)	586,497	639,000	1,038,222
Acquisition of subsidiaries	—	1,888	(1,064)
Income tax paid	(545,465)	(571,335)	(771,408)
Income tax refunds received	7,924	41,606	18,902
Reclassified to income tax recoverable	21,995	6,049	(36,233)
Income tax payable at end of the year	156,030	273,238	521,657

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Income tax recoverable at 1 January	17,458	39,453	45,502
Reclassified from income tax payable	21,995	6,049	(36,233)
Income tax recoverable at end of the year	39,453	45,502	9,269

(b) Deferred tax assets and liabilities recognized:

(i) The components of deferred tax assets/ (liabilities) recognized in the consolidated statements of financial position as at 31 December 2011, 2012 and 2013 and the movements during the Track Record Period are as follows:

The Group

	Provision for impairment of assets	Tax losses	Provision for product warranties	Unrealized profit	Adjustments arising from available-for-sale investments	Government grants	Others	Total
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Deferred tax assets arising from								
At 1 January 2011	56,934	12,418	38,456	35,904	—	11,955	13,826	169,493
Charged/(credited) to profit or loss	25,607	(5,056)	32,246	33,023	—	2,590	2,401	90,811
Credited to reserves	—	—	—	—	(5,602)	—	(2,598)	(8,200)
At 31 December 2011	82,541	7,362	70,702	68,927	(5,602)	14,545	13,629	252,104
Charged to profit or loss	13,381	6,831	5,188	4,804	—	1,211	4,477	35,892
Acquisition of subsidiaries	(1,074)	—	—	—	—	—	—	(1,074)
Credited to reserves	—	—	—	—	(837)	—	—	(837)
At 31 December 2012	94,848	14,193	75,890	73,731	(6,439)	15,756	18,106	286,085
Charged/(credited) to profit or loss	162,453	(8,227)	35,439	(35,192)	—	4,423	6,198	165,094
Charged to reserves	—	—	—	—	158	—	—	158
At 31 December 2013	257,301	5,966	111,329	38,539	(6,281)	20,179	24,304	451,337

30 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognized: (continued)

The Group (continued)

	Provision for impairment of assets	Tax losses	Provision for product warranties	Unrealized profit	Adjustments arising from available-for-sale investments	Gov-ernment grants	Others	Total
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Deferred tax liabilities arising from								
At 1 January 2011	(4,591)	(31)	(10,187)	—	30,219	—	—	15,410
Charged to profit or loss	4,591	31	10,187	—	—	—	—	14,809
Credited to reserves	—	—	—	—	(29,537)	—	—	(29,537)
At 31 December 2011	—	—	—	—	682	—	—	682
Charged to reserves	—	—	—	—	104	—	—	104
At 31 December 2012	—	—	—	—	786	—	—	786
Acquisition of business under common control	—	—	—	—	(786)	—	—	(786)
Charged to reserves	—	—	—	—	1,183	—	—	1,183
At 31 December 2013	—	—	—	—	1,183	—	—	1,183

(ii) Reconciliation to the consolidated statements of financial position

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Net deferred tax assets recognized in the statements of financial position	252,104	286,085	451,337
Net deferred tax liability recognized in the statements of financial position	682	786	1,183

30 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax assets not recognized

The Group

In accordance with the accounting policy set out in note 1(x), the Group has not recognized deferred tax assets in respect of unused tax losses of RMB 1,101.46 million, RMB 1,367.02 million and RMB 1,701.49 million as at 31 December 2011, 2012 and 2013, respectively, as the certain subsidiaries are not probable that future taxable profits against which the losses or the temporary differences can be utilised will be available in the relevant tax jurisdictions and entities. The unused tax losses will expire in the follow years:

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
2012	264	—	—
2013	64,055	31,114	—
2014	284,519	274,753	93,263
2015	400,260	376,773	338,990
2016	352,363	347,852	352,805
2017	—	336,525	331,013
2018	—	—	585,419
Total	1,101,461	1,367,017	1,701,490

31 PROVISION FOR WARRANTIES

The movement of provisions for product warranty during the Track Record Period is as follows:

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
At 1 January	315,936	483,229	471,558
Additions	459,759	379,329	516,099
Provisions utilized	(292,466)	(391,000)	(451,757)
At the end of the year	483,229	471,558	535,900

Under the terms of the Group's sales agreements, the Group will supply repair services in the warranty periods within 1 to 9 years since the date of sale. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within 1 to 9 years prior to the end of the Track Record Period.

32 OTHER NON-CURRENT LIABILITIES

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Long-term finance leasing payable			
— third parties	764,430	—	—
Government grants	2,422,542	2,745,696	2,882,561
Other non-current liabilities	67,957	72,414	159,408
	3,254,929	2,818,110	3,041,969

33 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliations between the opening and closing balances of each component of the Group's consolidated equity during the Track Record Period are set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity during the Track Record Period are set out below:

	Share capital	Capital reserve	Share premium	PRC Statutory reserve	Retained profits	Total
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
At 1 January 2011	8,300,000	8,490	13,792,796	152,458	651,415	22,905,159
Changes in equity:						
Profit and total comprehensive income for the year	—	—	—	—	855,306	855,306
Appropriation of reserve	—	—	—	85,531	(85,531)	—
Dividends proposed during the year	—	—	—	—	(415,000)	(415,000)
Excess of the acquirers' additional interests in the carrying value of identifiable net assets over the cost of acquisition of additional interests in subsidiaries	—	—	(332,391)	—	—	(332,391)
At 31 December 2011	8,300,000	8,490	13,460,405	237,989	1,006,190	23,013,074
At 1 January 2012	8,300,000	8,490	13,460,405	237,989	1,006,190	23,013,074
Changes in equity:						
Profit and total comprehensive income for the year	—	—	—	—	2,511,599	2,511,599
Appropriation of reserve	—	—	—	251,160	(251,160)	—
Capital contribution from right issues	2,020,056	—	4,853,585	—	—	6,873,641
Equity-settled share–based transaction	—	5,387	—	—	—	5,387
Dividends proposed during the year	—	—	—	—	(516,003)	(516,003)
At 31 December 2012	10,320,056	13,877	18,313,990	489,149	2,750,626	31,887,698
At 1 January 2013	10,320,056	13,877	18,313,990	489,149	2,750,626	31,887,698
Changes in equity:						
Profit and total comprehensive income for the year	—	—	—	—	1,194,990	1,194,990
Equity-settled share–based transaction	—	33,202	—	119,499	(119,499)	33,202
Dividends proposed during the year	—	—	—	—	(1,032,006)	(1,032,006)
At 31 December 2013	10,320,056	47,079	18,313,990	608,648	2,794,111	32,083,884

33 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividends payable

Dividends payable to equity shareholders of the Company attributable to the Track Record Period:

	Years ended 31 December					
	2011		2012		2013	
	RMB /per ordinary	*RMB '000*	*RMB /per ordinary*	*RMB '000*	*RMB /per ordinary*	*RMB '000*
Dividend proposed after the end of the reporting period . . .	0.05	415,000	0.05	516,003	0.1	1,032,006

On 28 March 2014, the boards of directors resolved to make a dividend distribution of RMB 2,064.01 million (RMB 0.2/per ordinary). The final dividend proposed after the end of the reporting period has not been recognized as a liability as at 31 December 2013 and 2012, 2011.

(c) Share capital

(i) Issued share capital

	Years ended 31 December					
	2011		2012		2013	
	No. of shares *'000*	*RMB '000*	**No. of shares** *'000*	*RMB '000*	**No. of shares** *'000*	*RMB '000*
Ordinary shares, issued and fully paid:						
At 1 January	8,300,000	8,300,000	8,300,000	8,300,000	10,320,056	10,320,056
Capital contribution from right issues	—	—	2,020,056	2,020,056	—	—
At the end of the year	8,300,000	8,300,000	10,320,056	10,320,056	10,320,056	10,320,056

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

(ii) Capitalisation issue

According to Zheng Jian Xu Ke [2012] No.184 ("The Official Approval about China CNR Corporation Limited Share Allotment") issued by CSRC, the Company has offered the shares on the basis of 2.5 shares for every 10 existing shares held (involving the entire share capital of 8,300,000,000 shares), to all shareholders whose names appeared on the register of members of the Company, as maintained by China Securities Depository and Clearing Corporation Limited, Shanghai Branch, after the close of trading on the Shanghai Stock Exchange on the Share Record Date (i.e. 24 February 2012), and the par value of share was RMB 1.00 each. As of 6 March 2012, a total of 2,020,056,000 shares were held by shareholders, and the Company's registered capital and share capital both increased to RMB 10,320,056,000 as the results of the capitalisation issue.

33 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve mainly represents capital premium, contributions from equity shareholders, and the difference between the considerations of acquisition or disposal of equity interests from/to non-controlling equity owners and the carrying amount of the proportionate net assets.

(ii) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

(iii) PRC statutory reserve

The Group appropriated PRC statutory reserve from retained profits according to PRC laws and regulations during the Track Record Period.

— The subsidiaries in the PRC are required to appropriate 10% of its after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity shareholders. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

— Pursuant to relevant MOF notices, the financing institution is required to set aside a general reserve to cover potential losses against its assets. Effective from 1 July 2012, the minimum general reserve balance should increase to 1.5% of the ending balance of gross risk-bearing assets with a transition period of five years. The CNR Finance Corp., Ltd., the subsidiary of the Company, has complied with the above requirements as of 31 December 2013 and plans to comply with the above requirements during the transition period.

(iv) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than the RMB which are dealt with in accordance with the accounting policies as set out in note 1(aa).

(e) Distributability of reserves

Under the Company Law of the PRC and the Company's Articles of Association, net profit after tax as reported in the statutory financial statements prepared in accordance with the accounting rules and regulations of the PRC can only be distributed as dividends after allowances have been made for the following:

(i) Making up prior years' cumulative losses, if any;

(ii) Allocations to the statutory reserve as set out in note 33(d)(iii) above; and

33 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Distributability of reserves (continued)

(iii) Allocations to the discretionary common reserve if approved by the shareholders.

After the listing of the Company's shares on HKSE, in accordance with the Articles of Association of the Company, the net profit after tax of the Company for the purpose of dividends payment will be the lesser of (i) the net profit determined in accordance with the accounting rules and regulations of the PRC; and (ii) the net profit determined in accordance with IFRSs.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to financing at a reasonable costs.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2011 and 2012 and 2013 were 73.13%, 65.99% and 67.07%, respectively.

There were no changes in the Group's approach to capital management during the Track Record Period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, and interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

The Group's credit risk is primarily attributable to cash at bank and in hand, trade and bills receivables, consignor advances, deposits, prepayments and other receivables and other non-current assets. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Substantially all of the Group's cash at bank and in hand are deposited in state-owned/controlled PRC banks or finance company owned by the Group which the directors assessed the credit risk to be insignificant.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

At the respective statements of financial position dates, the Group has certain concentration of credit risk. The receivables from the five largest debtors at 31 December 2011, 2012 and 2013 represented 56%, 51% and 60% of the total trade receivables respectively, while 42%, 37% and 47% of the total trade receivables were due from the largest single debtor respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivables, deposits, prepayments and other receivables are set out in notes 21 and 22 respectively.

(b) Liquidity risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the statements of financial position date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the statements of financial position date) and the earliest date the Group and the Company can be required to pay:

The Group

		At 31 December 2011					
	notes	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 Dec
		RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Short-term inter-bank corporate bonds . .	25	8,189,591	—	—	—	8,189,591	7,987,852
Entrusted and bank loans	25	10,805,651	13,776	41,299	293,775	11,154,501	10,435,680
Other non-current liabilities		70,487	68,950	751,781	—	891,218	822,629
Trade, bills and other payables	26/27	34,806,885	—	—	—	34,806,885	34,806,885
		53,872,614	82,726	793,080	293,775	55,042,195	54,053,046

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Group (continued)

	At 31 December 2012						
	notes	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 Dec
		RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Short-term inter-bank corporate bonds	25	14,384,985	—	—	—	14,384,985	13,984,474
Entrusted and bank loans	25	6,503,899	382	785	20,915	6,525,981	6,136,133
Other non-current liabilities		241	252	813	32,308	33,614	32,551
Trade, bills and other payables	26/27	37,812,902	—	—	—	37,812,902	37,812,902
		58,702,027	634	1,598	53,223	58,757,482	57,966,060

	At 31 December 2013						
	notes	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 Dec
		RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Short-term inter-bank corporate bonds	25	10,085,147	—	—	—	10,085,147	9,994,357
Entrusted and bank loans	25	10,846,076	1,411,508	5,237	21,133	12,283,954	12,030,073
Other non-current liabilities		338	326	3,876	27,537	32,077	31,206
Trade, bills and other payables	26/27	41,960,896	—	—	—	41,960,896	41,955,556
		62,892,457	1,411,834	9,113	48,670	64,362,074	64,011,192

The Company

	At 31 December 2011						
	notes	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 Dec
		RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Short-term inter-bank corporate bonds	25	8,189,591	—	—	—	8,189,591	7,987,852
Bank loans	25	4,711,777	—	—	—	4,711,777	4,600,000
Entrusted loans	25	1,796,933	—	—	—	1,796,933	1,750,000
Trade, bills and other payables		306,011	—	—	—	306,011	306,011
		15,004,312	—	—	—	15,004,312	14,643,863

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Company (continued)

	notes	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 Dec
		At 31 December 2012					
		RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Short-term inter-bank corporate bonds . . .	25	14,384,985	—	—	—	14,384,985	13,984,474
Bank loans	25	4,834,645	—	—	—	4,834,645	4,800,000
Entrusted loans	25	1,124,759	—	—	—	1,124,759	1,100,000
Trade, bills and other payables		800,205	—	—	—	800,205	800,205
		21,144,594	—	—	—	21,144,594	20,684,679

	notes	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 Dec
		At 31 December 2013					
		RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Short-term inter-bank corporate bonds . . .	25	10,085,147	—	—	—	10,085,147	9,994,357
Bank loans	25	7,742,585	501,446	—	—	8,244,031	8,127,832
Entrusted loans	25	5,511,767	—	—	—	5,511,767	5,396,980
Trade, bills and other payables		1,600,526	—	—	—	1,600,526	1,600,526
		24,940,025	501,446	—	—	25,441,471	25,119,695

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the Track Record Period, however, management of the Group did not consider it is necessary to use interest rate swaps to hedge their exposure to interest.

(i) Interest rate profile

The following table details the profile of the Group's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at statements of financial position date. The detailed interest rates of the Group's borrowings are disclosed in note 25.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(i) Interest rate profile (continued)

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB '000	*RMB '000*	*RMB '000*
Fixed rate borrowings:			
Entrusted and bank loans	1,817,820	166,133	5,543,289
Short-term inter-bank corporate bonds	7,987,852	13,984,474	9,994,357
Variable rate borrowings:			
Other non-current liabilities	822,629	32,551	31,206
Entrusted and bank loans	8,617,860	5,970,000	6,486,784
Deposit	—	—	422,190
Total borrowings	19,246,161	20,153,158	22,477,826
Fixed rate borrowings as a percentage of total borrowings	50.95%	70.22%	69.12%

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB '000	*RMB '000*	*RMB '000*
Fixed rate borrowings:			
Bank loans	—	2,800,000	4,387,832
Short-term inter-bank corporate bonds	7,987,852	13,984,474	9,994,357
Variable rate borrowings:			
Bank loans	4,600,000	2,000,000	4,795,000
Entrusted loans	1,750,000	1,100,000	4,341,980
Total borrowings	14,337,852	19,884,474	23,519,169
Fixed rate borrowings as a percentage of total borrowings	55.71%	84.41%	61.15%

(ii) Sensitivity analysis

On 31 December 2011, 2012 and 2013, it is estimated that a general increase of 40 basis points in interest rates of net floating borrowings, with all other variables held constant, the Group's profit after tax and retained profits would have decreased by approximately RMB 32.10 million, RMB 20.41 million and RMB 23.60 million respectively. Other components of consolidated equity would not be affected by the general increase/ decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the statements of financial position date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the statements of financial position date. The impact on the Group's profit after tax (and

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis (continued)

retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

The estimated 40 basis points increase or decrease represents management's assessment of a reasonable change in interest rates over the period until the next statements of financial position date. The analysis is performed on the same basis for the entire Track Record Period.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash at bank and in hand that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros("EUR"),United States dollars("US$"), Japanese Yen("JPY"), Hong Kong dollars("HKD").

(i) Recognized assets and liabilities

In respect of cash at bank and in hand, receivables and payables denominated in foreign currencies, the Group considers that the net exposure to foreign currency risk is insignificant. The Group did not hedge its foreign currency exposure.

RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future.

(ii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the each reporting date. Differences resulting from the translation of the Financial Information of foreign operations into the Group's presentation currency are excluded.

The Group

	At 31 December 2011			
	US$	**EUR**	**JPY**	**HKD**
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*
Trade and bills receivables	41,239	10,776	32	85
Derivative financial instruments — assets	—	30,918	—	—
Available-for-sale investments	—	—	—	21,169
Cash and cash equivalents	248,429	311,488	1,442	9,919
Trade and bills payables	(23,207)	(519,066)	(10,115)	—
Derivative financial instruments — liabilities	—	(22,046)	—	—
Bank loans	(604,342)	(45,965)	(19,465)	—
Gross exposure arising from recognized assets and liabilities	(337,881)	(233,895)	(28,106)	31,173
Net exposure arising from recognized assets and liabilities	(337,881)	(233,895)	(28,106)	31,173

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

The Group (continued)

	At 31 December 2012			
	US$	EUR	JPY	HKD
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*
Trade and bills receivables	1,132,020	1,163,704	21	860
Derivative financial instruments — assets	—	19,650	—	—
Available-for-sale investments	—	—	—	18,267
Cash and cash equivalents	383,005	90,644	1,575	11,598
Trade and bills payables	(106,977)	(280,209)	(9,873)	(12,977)
Derivative financial instruments — liabilities	—	(9,267)	—	—
Bank loans	—	(20,033)	—	—
Gross exposure arising from recognized assets and liabilities	1,408,048	964,489	(8,277)	17,748
Net exposure arising from recognized assets and liabilities	1,408,048	964,489	(8,277)	17,748

	At 31 December 2013			
	US$	EUR	JPY	HKD
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*
Trade and bills receivables	1,261,182	347,737	—	835
Derivative financial instruments — assets	—	4,907	—	—
Available-for-sale investments	—	—	—	35,022
Cash and cash equivalents	932,968	53,167	119	50,204
Trade and bills payables	(9,233)	(42,646)	(7,152)	(9,442)
Derivative financial instruments — liabilities	—	(1,201)	—	—
Bank loans	(1,018,316)	(20,277)	—	—
Gross exposure arising from recognized assets and liabilities	1,166,601	341,687	(7,033)	76,619
Net exposure arising from recognized assets and liabilities	1,166,601	341,687	(7,033)	76,619

The Company

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
US$			
Trade and bills receivables	2,196	639	1,208,699
Cash and cash equivalents	107,892	106	104
Bank loans	—	—	1,668,238
Gross exposure arising from recognized assets and liabilities	110,088	745	2,877,041
Net exposure arising from recognized assets and liabilities	110,088	745	2,877,041

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(iii) Sensitivity analysis

The followings are the related foreign currency exchange rates to RMB during the Track Record Period:

	Years ended 31 December					
	Average rate			Reporting date spot rate		
	2011	2012	2013	2011	2012	2013
US$	6.4618	6.2932	6.1912	6.3009	6.2855	6.0969
EUR	8.4845	8.2401	8.3683	8.1625	8.3176	8.4189
JPY	0.0812	0.0771	0.0654	0.0811	0.0730	0.0578
HKD	0.8308	0.8108	0.7985	0.8107	0.8108	0.7862

A 5% strengthening/weakening of RMB against the following currencies as at 31 December 2011, 2012 and 2013 would have increased/(decreased) the net profit after tax and equity by the amounts shown below. Other components of equity would not be affected by the strengthening/weakening of RMB against foreign currencies.

The Group

	Years ended 31 December					
	2011		2012		2013	
	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained profits *RMB '000*	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained profits *RMB '000*	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained profits *RMB '000*
US$	5%	14,360	5%	(59,842)	5%	(49,581)
	(5%)	(14,360)	(5%)	59,842	(5%)	49,581
EUR	5%	9,941	5%	(40,991)	5%	(14,522)
	(5%)	(9,941)	(5%)	40,991	(5%)	14,522
JPY	5%	1,195	5%	352	5%	299
	(5%)	(1,195)	(5%)	(352)	(5%)	(299)
HKD	5%	(1,325)	5%	(754)	5%	(3,256)
	(5%)	1,325	(5%)	754	(5%)	3,256

The Company

	Years ended 31 December					
	2011		2012		2013	
	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained profits *RMB '000*	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained profits *RMB '000*	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained profits *RMB '000*
US$	5%	(4,128)	5%	(28)	5%	(530)
	(5%)	4,128	(5%)	28	(5%)	530

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the statements of financial position date and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next statements of financial position date. The analysis is performed on the same basis for the entire Track Record Period.

(e) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at 31 December 2011, 2012 and 2013.

The following table presents the book value of the Group's financial instruments measured at the end of the reporting period on the fair value basis. The Group's financial instruments measured on the fair value basis are according to the same assets and liabilities' in an active market quotes (unadjusted).

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB '000	*RMB '000*	*RMB '000*
Recurring fair value measurements			
Assets:			
Available-for-sale equity securities:			
— Listed	72,500	78,842	90,829
— Unlisted	67,954	68,548	43,267
Derivative financial instruments:			
— Forward exchange contracts	30,918	19,650	4,907
Liabilities:			
Derivative financial instruments:			
— Forward exchange contracts	22,046	9,267	1,201

35 COMMITMENTS

(a) Commitments for the acquisition of property, plant and equipment, purchase of performances, leasehold improvements and management outstanding at each year end not provided for in the Financial Information were as follows:

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB '000	*RMB '000*	*RMB '000*
Contracted for	2,424,045	3,570,634	4,172,358
Authorized but not contracted for	846,205	647,944	525,664
	3,270,250	4,218,578	4,698,022

35 COMMITMENTS (CONTINUED)

(b) At each year end, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

The Group

	At 31 December		
	2011	**2012**	**2013**
	RMB '000	*RMB '000*	*RMB '000*
Within 1 year	18,285	43,526	53,964
After 1 year but within 3 years	17,368	39,733	18,874
After 3 years	43,180	37,062	34,672
	78,833	120,321	107,510

The Group leases certain buildings through non-cancellable operating leases. Typically, leases are negotiated and rentals are fixed for lease term.

36 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(1) On 24 January 2014, the Company issued short-term inter-bank corporate bonds amounted to RMB 2,000.00 million which interest rate is 5.83%. The bond period is 90 days, from 27 January 2014 to 27 April 2014.

(2) On 27 January 2014, the Company issued short-term inter-bank corporate bonds amounted to RMB 2,000.00 million which interest rate is 5.70%. The bond period is 180 days, from 28 January 2014 to 27 July 2014.

(3) On 19 February 2014, the Company issued short-term inter-bank corporate bonds amounted to RMB 2,000.00 million which interest rate is 5.50%. The bond period is 180 days, from 20 February 2014 to 19 August 2014.

(4) On 21 February 2014, the Company issued short-term inter-bank corporate bonds amounted to RMB 3,000.00 million which interest rate is 5.50%. The bond period is 365 days, from 24 February 2014 to 24 February 2015.

(5) On 24 February 2014, the Company issued medium-term notes amounted to RMB 2,000.00 million which interest rate is 5.50%. The medium-term notes period is 3 years, from 25 February 2014 to 25 February 2017.

(6) On 17 March 2014, the Company issued medium-term notes amounted to RMB 2,000.00 million which interest rate is 5.75%. The medium-term notes period is 5 years, from 18 March 2014 to 18 March 2019.

(7) On 26 March 2014, the Company issued short-term inter-bank corporate bonds amounted to RMB 3,000.00 million, which interest rate is 5.30%. The bond period is 365 days, from 27 March 2014 to 27 March 2015.

(8) On 28 March 2013, the board of directors resolved to make a dividend distribution of fiscal year 2013. Further details are disclosed in note 33(b).

(9) On 24 April 2014, the Company issued short-term inter-bank corporate bonds amounted to RMB2,000.00 million which interest rate is 4.80%. The bond period is 270 days, from 24 April 2014 to 19 January 2015.

37 MATERIAL RELATED PARTY TRANSACTION

In addition to the related party information disclosed elsewhere in this Financial Information, the Group entered into the following significant related party transaction during the Track Record Period.

(a) Name and relationship with material related parties

During the Track Record Period, transactions with the following parties are considered as related party transactions:

Name of party	Relationship
China Northern Locomotive & Rolling Stock Industry (Group) Corporation ("CNRG") 中國北方機車車輛工業集團公司	Parent and ultimate holding company
CNR Qiqihar Railway Rolling Stock (Group) Co., Ltd. 齊齊哈爾鐵路車輛（集團）有限責任公司	Under common control
CNR Changchun Locomotive Works 中國北車集團長春客車廠	Under common control
CNR Shenyang Locomotive & Rolling Stock Industry Corporation and its subsidiaries 中國北車集團瀋陽機車車輛工貿總公司及其子公司	Under common control
Dalian Dali Railway Transportation Equipment Co. Ltd. and its subsidiaries 大連大力軌道交通裝備有限公司及其子公司	Under common control
CNR Tianjin Locomotive & Rolling Stock machinery Works 中國北車集團天津機車車輛機械廠	Under common control
CNR Beijing Feb. 7th Locomotive Works 中國北車集團北京二七機車廠有限責任公司	Under common control
CNR Beijing Nankou Locomotive & Rolling Stock Machinery Works and its subsidiaries 中國北車集團北京南口機車車輛機械廠及其子公司	Under common control
Beijing CNR Investment Co., Ltd. and its subsidiaries 北京北車投資有限責任公司及其子公司	Under common control
CNR Datong Locomotive Society Management Center 大同機車社區管理中心	Under common control
CNR Taiyuan Locomotive & Rolling Stock Works and its subsidiaries 中國北車集團太原機車車輛廠及其子公司	Under common control
CNR Ji'nan Locomotive & Rolling Stock Works 中國北車集團濟南機車車輛廠	Under common control
CNR Xi'an Rolling Stock Works 中國北車集團西安車輛廠	Under common control
CNR Lanzhou Locomotive Works and its subsidiaries 中國北車集團蘭州機車廠及其子公司	Under common control
CNR Ship & Ocean Engineering Development Co., Ltd. 北車船舶與海洋工程發展有限公司	Under common control
Knorr-Bremse Nankou Air Supply Unit (Beijing) Co. Ltd. 克諾爾.南口供風設備(北京)有限公司	Associate
Beijing Nankou SKF Railway Bearings Co., Ltd. 北京南口斯凱孚鐵路軸承有限公司	Associate
Datong ABB Traction Transformer Co., Ltd. 大同ABB牽引變壓器有限公司	Associate
Datong Faiveley Coupler Co., Ltd. 大同法維萊車鈎系統有限責任公司	Associate
Xi'an Alstom Yongji Electric Equipment Co., Ltd. 西安阿爾斯通永濟電氣設備有限公司	Associate

37 MATERIAL RELATED PARTY TRANSACTION (CONTINUED)

(a) Name and relationship with material related parties (continued)

Name of party	Relationship
Shanghai Alstom Transport Equipment Co., Ltd. 上海阿爾斯通交通電氣有限公司	Associate
Alstom Qingdao Railway Equipment Co., Ltd. 青島阿爾斯通鐵路設備有限公司	Associate
Changchun Xiangtie Vehicles Equipment Co., Ltd. 長春市享鐵車輛裝備製造股份有限公司	Associate
Shanxi CNR CR Construction Engineering Co., Ltd. 山西中鐵北車建設工程有限公司	Associate
Xinyang Amsted Tonghe Wheels Co., Ltd. 信陽同合車輪有限公司	Associate
Tianjin Electric Locomotive Co., Ltd. 天津電力機車有限公司	Associate
Tangshan Tang-che Railway Transportation Equipment Co., Ltd. 唐山唐車威奧軌道交通設備有限公司	Associate
Qiqihar Sanyi Casting Equipment Corporation 齊齊哈爾三益鑄造設備有限公司	Associate
Zhongtie Shenyang Railway Equipment Co., Ltd. 中鐵瀋陽鐵道裝備有限公司	Associate
Chengdu Xinzhu Railway Transportation Equipment Co., Ltd. 成都長客新築軌道交通裝備有限公司	Associate
Hitachi Yonge Electric Equipment (Xi'an) Co., Ltd. 日立永濟電氣設備（西安）有限公司	Joint Venture
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd. 瀋陽北車西屋軌道制動技術有限公司	Joint Venture
Qingdao FAIVELEY SRI Rail Brake Co., Ltd 青島四方法維萊軌道制動有限公司	Joint Venture
Dalian Toshiba Locomotive Electric Equipment Co., Ltd. 大連東芝機車電氣設備有限公司	Joint Venture
Changchun Bombardier Railway Vehicles Co., Ltd. 長春長客-龐巴迪軌道車輛有限公司	Joint Venture
Changchun Diandi Int'l Industrial Co., Ltd. 長春帝安帝國際實業有限責任公司	Joint Venture
Beijing Danobat CNR Feb. 7th Machine Tools Manufacturing Co., Ltd. 北京北車二七達諾巴特機床製造有限公司	Joint Venture
Qiqihar Sipansai Surface treatment equipment Co., Ltd. 齊齊哈爾斯潘塞表面處理設備有限公司	Other Related Party
Taiyuan WanheLocomotive vehicle accessories Co., Ltd. 太原萬和機車車輛配件有限公司	Other Related Party
Yongji Railway Insulating Materials Co., Ltd. 永濟鐵路絕緣材料有限責任公司	Other Related Party
Taiyuan Yingfeng Locomotive & Rolling Stock Casting Co., Ltd. 太原映豐機車車輛鑄造有限責任公司	Other Related Party

(b) Significant transactions with related parties

The Group is part of a large group of companies under CNRG and has significant transactions and relationships with CNRG and its affiliates.

37 MATERIAL RELATED PARTY TRANSACTION (CONTINUED)

(b) Significant transactions with related parties (continued)

The principal transactions which were carried out in the ordinary course of business are as follows:

The Group

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Sales to			
CNRG	5,387	—	—
CNRG's affiliates	74,911	37,642	63,238
Associates and Joint Ventures	89,256	252,635	246,190
Other related parties	225,498	221,802	190,187
Purchase of goods from			
CNRG's affiliates	76,750	211,365	95,037
Associates and Joint Ventures	3,264,357	3,014,812	2,728,896
Other related parties	288,973	153,804	133,476
Purchase intangible assets from			
CNRG's affiliates	—	—	29,405
Purchase property or equipment from			
CNRG's affiliates	42	178	26,823
Loans received from			
CNRG	1,200,000	20,000	601,980
Loans repaid to			
CNRG	220,000	1,200,000	—
Inerest expense			
CNRG	1,362	5,979	1,379
CNRG's affiliates	—	—	1,927
Lease expenses paid to			
CNRG	21,612	27,060	24,305
CNRG's affiliates	5,835	—	8,492
Net deposits from			
CNRG	—	—	107,411
CNRG's affiliates	—	—	314,779

The Company

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Sales to			
CNRG	5,387	—	—
The subsidiaries	73,377	171,475	266,048
Purchase of goods from			
The subsidiaries	74,812	14,297	1,561,287
Service provided from			
The subsidiaries	67,542	90,964	105,337

37 MATERIAL RELATED PARTY TRANSACTION (CONTINUED)

(b) Significant transactions with related parties (continued)

The Company (continued)

	Years ended 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Purchase intangible assets from			
The subsidiaries	—	3,859	—
Loans received from			
CNRG	1,200,000	—	601,980
The subsidiaries	750,000	2,993,000	10,836,000
Loans provided to			
The subsidiaries	29,448,130	38,666,700	38,778,348
Interest income			
The subsidiaries	980,076	1,278,942	1,488,422
Interest expense			
CNRG	1,268	5,979	367
The subsidiaries	11,353	56,574	79,157
Lease expenses paid to			
CNRG	20,541	20,541	20,660
Provide guarantee to			
The subsidiaries	14,890,282	12,763,007	9,890,041

Notes:

(i) CNRG's affiliates refer to the entities which are under common control by the same ultimate holding company with the Group, and are not the parent or associates of the Group.

(ii) The directors are of the opinion that these related party transactions are arising in the Group's normal course of business. These transactions with related parties are expected to continue after the listing of the Company's shares on HKSE.

(c) Significant outstanding balances, with related parties

Details of the outstanding balances with related parties are as follows:

The Group

	At 31 December		
	2011	2012	2013
	RMB '000	*RMB '000*	*RMB '000*
Trade and bills receivables			
CNRG's affiliates	75,226	24,979	47,139
Associates and Joint Ventures	95,617	186,205	333,932
Other related parties	79,991	24,998	45,562
Prepayments, deposits and other receivables			
CNRG's affiliates	—	1,734	4,326
Associates and Joint Ventures	57,439	51,960	38,451
Other related parties	15,165	359	98
Other non-current assets			
Associates and Joint Ventures	—	—	108
Other related parties	—	16,821	36,022

37 MATERIAL RELATED PARTY TRANSACTION (CONTINUED)

(c) Significant outstanding balances, with related parties (continued)

The Group (continued)

	At 31 December		
	2011	**2012**	**2013**
	RMB '000	*RMB '000*	*RMB '000*
Interest-bearing loans and borrowings			
CNRG	1,205,500	25,500	601,980
Trade and bills payables			
CNRG's affiliates	41,866	98,828	70,717
Associates and Joint Ventures	1,433,506	1,577,430	2,364,045
Other related parties	159,483	113,515	165,377
Other payables and accruals			
CNRG	98,398	72,371	177,503
CNRG's affiliates	28,786	21,540	475,649
Associates and Joint Ventures	10,284	10,507	40,190
Other related parties	10,459	8,182	5,144

The Company

	At 31 December		
	2011	**2012**	**2013**
	RMB '000	*RMB '000*	*RMB '000*
Trade and bills receivables			
The subsidiaries	17,473	44,870	—
Prepayments, deposits and other receivables			
The subsidiaries	11,472,433	12,585,757	9,944,117
Other non-current assets			
The subsidiaries	5,041,680	10,743,795	15,760,448
Interest-bearing loans and borrowings			
CNRG	1,200,000	—	601,980
The subsidiaries	550,000	1,100,000	4,795,000
Trade and bills payables			
The subsidiaries	7,729	9,355	1,110,763
Other payables and accruals			
CNRG	1,268	—	367
The subsidiaries	9,366	458,653	66,425
The balance of the guarantee provided			
The subsidiaries	6,151,973	7,826,143	6,193,521

(d) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organized by relevant local government authorities for its staff. As at 31 December 2011, 2012 and 2013, there was no material outstanding contribution to post-employment benefit plans. Details of the defined contribution retirement plans are set out in note 5(b).

(e) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

37 MATERIAL RELATED PARTY TRANSACTION (CONTINUED)

(e) Key management personnel remuneration (continued)

Remuneration for key management personnel, including amounts paid to the Company's directors and supervisors as disclosed in note 7, and certain of the highest paid employees as disclosed in note 8, is as follows:

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB '000	*RMB '000*	*RMB '000*
Salaries and other emoluments	4,395	4,376	5,134
Discretionary bonus	3,631	5,182	5,391
Retirement scheme contributions	1,165	1,145	1,196
Equity-settled share-based transaction	—	232	1,650
	9,191	10,935	13,371

Total remuneration was included in "staff costs" (see note 5(b)).

38 ACQUISITION OF SUBSIDIARIES AND BUSINESS

(a) Acquisition of subsidiary under common control

On 4 January 2011, the Company entered into an equity transfer agreement with CNRG, the Parent and ultimate holding company, pursuant to which the Company agreed to acquire 100% equity interests in CNR Shenyang Locomotive & Rolling Stock Co., Ltd.. Upon the completion of the acquisition, CNR Shenyang Locomotive & Rolling Stock Co., Ltd. became a subsidiary of the Company and is principally engaged in manufacturing and repairing freight wagons, vehicle fittings, special technology, engineering machinery, metal materials, steel and building materials sales. This transaction was accounted for in accordance with Section B Note 1 (h)(i).

(b) Acquisition of business under common control

On 28 February 2013, Xi'an Railway Vehicles Equipment Co., Ltd. ("Xi'an Equipment"), the subsidiary of the Company, entered into a business transfer agreement with CNR Xi'an Rolling Stock Works, the subsidiary of the ultimate holding company CNRG, pursuant to which Xi'an Equipment agreed to acquire an operating business. This transaction was accounted for in accordance with Section B Note 1(h)(i).

(c) Acquisition of subsidiaries not under common control

(i) The Company entered into an equity transfer agreement with Tsinghua Holdings Co., Ltd., pursuant to which the Company agreed to acquire equity interest of Beijing Tsinghua Software Information Technology Co., Ltd.. On 13 January 2012, the Company acquired 51% equity interest of Beijing Tsinghua Software Information Technology Co., Ltd. at cash consideration of RMB 29.77 million and Beijing Tsinghua Software Information Technology Co., Ltd. became the subsidiary of the Company. The net fair value of the identifiable assets and liabilities of Beijing Tsinghua Software Information Technology Co., Ltd. as at the acquisition date was RMB 31.78 million, and RMB 13.56 million was recognized as goodwill in the consolidated statement of financial position. Beijing Tsinghua Software Information Technology Co., Ltd. is principally engaged in technology development, technology consulting, computer system services, data processing etc.

38 ACQUISITION OF SUBSIDIARIES AND BUSINESS (CONTINUED)

(c) Acquisition of subsidiaries not under common control (continued)

(ii) On 31 October 2012, Yongji Xinshisu Electric Equipment Co., Ltd. ("Yongji Equipment"), the subsidiary of the Company, entered into an equity transfer agreement with Xinjiang Goldwind Sci Tech Co., Ltd., pursuant to which Yongji Equipment agreed to acquire 80% equity interest of Xi'an Yongdian Goldwind Co., Ltd., at a cash consideration of RMB 67.12 million. The net fair value of the identifiable assets and liabilities of Xi'an Yongdian Goldwind Co., Ltd. as at the acquisition date was RMB 83.90 million. Xi'an Yongdian Goldwind Co., Ltd. is principally engaged in wind turbine R&D, design, manufacturing and sales.

(iii) Changchun Railway Vehicle Co., Ltd. ("CNR Changchun") entered into an equity transfer agreement with Changchun High-tech Investment Group Co ., Ltd.. On 22 April 2013, CNR Changchun held 51% equity interest of Jilin High-tech Electric Cars Co., Ltd. ("Jilin High-tech"), at cash consideration of RMB 65.98 million and Jilin High-tech became the subsidiary of CNR Changchun. The net fair value of the identifiable assets and liabilities of Jilin High-tech as at acquisition date was RMB 28.88 million, and RMB 51.25 million was recognized as other loss in the consolidated statement of profit or loss . Jilin High-tech is principally engaged in sales of automotive (except sedan) and parts, research and development, manufacturing and sales of electric cars and power battery, automotive leasing etc.

39 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider its parent and ultimate holding company to be CNRG Corporation Limited, which is a state-owned enterprise established in the PRC. The parent company does not produce financial statements available for public use.

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the Track Record Period and which have not been adopted in the Financial Information.

	Effective for accounting periods beginning on or after
Amendments to IFRSs 10, IFRSs 12 and IAS 27, *Investment entities*	1 January 2014
Amendments to IAS 32, *Financial instruments: Presentation — Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*	1 January 2014
Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*	1 January 2014
Amendments to IAS 19, *Employee benefits: Defined benefit plans: Employee contributions*	1 July 2014
IFRSs 9, *Financial instruments (2009)*	1 January 2015
IFRSs 9, *Financial instruments (2010)*	1 January 2015
Amendments to IFRSs 9, *Financial instruments* and IFRSs 7 *Financial instruments: Disclosures — Mandatory effective date and transition disclosures*	1 January 2015

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

41 STATUTORY AUDIT

The statutory financial statements of the Company and its material subsidiaries for the year ended 31 December 2011, 2012 and 2013 set out in note 15, were audited by KPMG Huazhen (Special General Partnership) except for the statutory audit for the following company for the year ended 31 December 2011:

Name of entities	2011
Beijing Tsinghua Software Information Technology Co., Ltd.	BDOCHINADAHUA Certified Public Accountants Co., Ltd 大華會計師事務所有限公司

42 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2013.

Yours faithfully

Certified Public Accountants
Hong Kong