ANNUAL REPORT

2014年度報告

中國北車股份有限公司
CHINA CNR CORPORATION LIMITED

(a joint stock limited liability company incorporated in the People's Republic of China)
（於中華人民共和國註冊成立的股份有限公司）

Stock code 股份代號：6199

CONTENTS

COMPANY PROFILE

DIRECTORS

Executive Director

Mr. Xi Guohua (奚國華) *(President)*

Non-executive Directors

Mr. Cui Dianguo (崔殿國) *(Chairman)*
Mr. Wan Jun (萬軍)

Independent Non-executive Directors

Mr. Li Fenghua (李豐華)
Mr. Zhang Zhong (張忠)
Ms. Shao Ying (邵瑛)
Mr. Sun Patrick (辛定華)

SUPERVISORS

Mr. Chen Fangping (陳方平) *(Chairman)*
Mr. Zhu Sanhua (朱三華)
Mr. Liu Zhi (劉智)

JOINT COMPANY SECRETARIES

Mr. Xie Jilong (謝紀龍)
Ms. Kwong Yin Ping Yvonne (鄺燕萍) *FCIS*

AUTHORIZED REPRESENTATIVES

Mr. Xi Guohua (奚國華)
Ms. Kwong Yin Ping Yvonne (鄺燕萍)

STRATEGY COMMITTEE

Mr. Cui Dianguo (崔殿國) *(Chairman)*
Mr. Xi Guohua (奚國華)
Mr. Wan Jun (萬軍)
Mr. Zhang Zhong (張忠)
Ms. Shao Ying (邵瑛)

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Sun Patrick (辛定華) *(Chairman)*
Mr. Wan Jun (萬軍)
Mr. Zhang Zhong (張忠)

NOMINATION COMMITTEE

Mr. Zhang Zhong (張忠) *(Chairman)*
Mr. Cui Dianguo (崔殿國)
Mr. Xi Guohua (奚國華)
Mr. Li Fenghua (李豐華)
Ms. Shao Ying (邵瑛)

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Li Fenghua (李豐華) *(Chairman)*
Ms. Shao Ying (邵瑛)
Mr. Sun Patrick (辛定華)

REGISTERED OFFICE

No. 15, First Area, Fangcheng Park
Fengtai District
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 15, First Area, Fangcheng Park
Fengtai District
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

STOCK NAME

China CNR Corporation Limited

STOCK ABBREVIATION

China CNR

SHARE LISTING

A Share: Shanghai Stock Exchange
Stock Code: 601299
H Share: The Stock Exchange of Hong Kong Limited
Stock Code: 6199

SHARE REGISTRARS

A Share

China Securities Depository & Clearing Corporation Limited
(CSDCC) Shanghai Branch
China Insurance Building
166 East Lujiazui Road
Pudong District
Shanghai, PRC

H Share

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

COMPANY'S WEBSITE

www.chinacnr.com

FINANCIAL HIGHLIGHTS

Set out below is the major financial information of the Group:

Unit: RMB'000

	2014	2013	Increase (%)
Revenue	103,881,616	96,756,070	7.36
Profit attributable to the equity shareholders of the Company	5,492,351	4,128,559	33.03
Net cash generated from operating activities	14,756,443	4,886,783	201.97
Basic earnings per share (RMB/share)	0.48	0.40	20.00
Diluted earnings per share (RMB/share)	0.48	0.40	20.00
Weighted average return on net assets (%)	12.50	11.43	1.07

	31 December 2014	31 December 2013	Increase (%)
Total assets	149,152,280	120,158,917	24.13
Total liabilities	98,502,573	80,593,282	22.22
Total equity attributable to the equity shareholders of the Company	48,794,117	37,780,342	29.15

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Results				
Revenue	103,881,616	96,756,070	91,798,238	88,810,826
Profit from operations	7,811,450	6,203,891	5,129,738	4,657,350
Finance costs	(1,584,598)	(1,395,424)	(1,180,961)	(1,247,501)
Share of profits less losses of associates	132,029	110,651	119,777	159,856
Share of profits less losses of joint ventures	252,327	180,013	118,882	85,340
Profit before taxation	6,611,208	5,099,131	4,187,436	3,655,045
Income tax	(921,247)	(873,128)	(603,108)	(510,495)
Profit for the year	5,689,961	4,226,003	3,584,328	3,144,550
Profit attributable to:				
Equity shareholders of the Company	5,492,351	4,128,559	3,430,806	3,024,638
Non-controlling interests	197,610	97,444	153,522	119,912
Earnings per share				
Basic earnings per share (RMB)	0.48	0.40	0.34	0.34
Diluted earnings per share (RMB)	0.48	0.40	0.34	0.34
Total comprehensive income for the year	5,527,905	4,244,940	3,554,932	2,946,549
Total comprehensive income attributable to:				
Equity shareholders of the Company	5,331,054	4,147,871	3,402,001	2,826,558
Non-controlling interests	196,851	97,069	152,931	119,991
Assets, liabilities and total equity				
Total assets	149,152,280	120,158,917	106,581,994	97,365,664
Total liabilities	98,502,573	80,593,282	70,333,417	71,200,845
Total equity attributable to the equity shareholders of the Company	48,794,117	37,780,342	34,671,135	24,842,107
Non-controlling interests	1,855,590	1,785,293	1,577,442	1,322,712
Total Equity	50,649,707	39,565,635	36,248,577	26,164,819

Note:

The financial information of the Group for the year ended 31 December 2011, 2012 and 2013 was extracted from Appendix I of the Prospectus, which set forth details of the basis of presentation for the audited consolidated financial statements. The financial information of the Group for the year ended 31 December 2014 was set forth on pages 71 to 177 to this report, which was presented on the basis set forth in note 1(b) to the audited consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2014, facing the complex and changing economic situation and the arduous tasks to reform and innovate, under the rational decision-making and leadership of the Board, the Group was determined to follow its ‘three-stage’ development strategy, adhere to the core values of ‘Growth’, ‘Efficiency’ and ‘Health’, and leverage the focuses of steady growth, brand new way of operation, and internationalization, with a view to continue its innovation in business model, technology and management, resulting in the steady growth of production and operations and hitting a new high in its operating results.

In 2014, the Group’s operating results continued to grow. The revenue of the year reached RMB103.88 billion, an increase of RMB7.13 billion, or 7.36%, when compared with the previous year; profit before taxation reached RMB6.61 billion, an increase of RMB1.51 billion or 29.65%, when compared with the previous year; profit attributable to equity shareholders of the Company reached RMB5.49 billion, an increase of 33.03% on a year-on-year basis.

FINANCIAL REVIEW

(I) Analysis on Core Business

Table of Analysis of Changes in Relevant Items of Consolidated Statement of Profit or Loss and Consolidated Statement of Cash Flows:

Unit: RMB’000

	2014	2013	Increase (%)
Revenue	103,881,616	96,756,070	7.36
Cost of sales	84,624,259	80,103,393	5.64
Selling and distribution expenses	2,025,402	2,018,084	0.36
Administrative expenses	9,771,866	8,783,823	11.25
Finance costs	1,584,598	1,395,424	13.56
Net cash generated from operating activities	14,756,443	4,886,783	201.97
Net cash used in investing activities	(9,943,748)	(5,715,976)	73.96
Net cash generated from/(used in) financing activities	9,875,797	(415,592)	n/a
Research and development expenditure (including capitalization)	3,191,622	2,825,412	12.96

Revenue

The Group's revenue increased by 7.36% on a year-on-year basis, while the rolling stock business, general mechanical and electrical business, modern service business and emerging industry business accounted for 74.94%, 1.62%, 18.35% and 5.09% of total revenue, respectively. Within the rolling stock business in particular, the Group recorded revenue of RMB19.42 billion from locomotive business, RMB5.45 billion from passenger coaches business, RMB35.93 billion from MUs business, RMB7.34 billion from rapid transit vehicles business, and RMB9.70 billion from freight wagons business.

Order Analysis

In 2014, new orders in the amount of RMB149.8 billion were placed, representing an increase of 14.7% from RMB130.57 billion in 2013. As of the end of 2014, the value of the ongoing contracts was RMB109.6 billion. Due to the steady growth in domestic orders within the rolling stock business and the rapid expansion of the overseas market, the total value of export transaction orders amounted to US$2.994 billion, representing an increase of 73% on a year-on-year basis.

Analysis on the Impacts of New Products and New Services

The Group has been market-oriented, adhered to open and synergistic innovation, focused on strengthening its independent innovation capabilities, and actively developed products to meet the customers' needs in the rolling stock business. The traction systems and network control systems for CRH5 MUs, which were developed on the basis of NECT technology, were officially put into operation. The electric transmission system for NECT locomotives was also put into use on a large scale, with the overall technology reaching the world's leading level and part of the technologies filling in the gap in China. The proprietary UIC gateway, a core component of the network control system, also filled the gap in China. The complete set of gearbox for 250km/hour inter-city MUs was put into operation. The Group also made material progress in the development of communication and signaling products, providing complete set of signaling system products to Line No.1 project of Zhuhai Modern Tramcars. The Group made great breakthroughs in the development of proprietary braking systems. Braking systems for electric locomotives went through 100,000km of trial use and was ready for batch production. MUs under the Chinese standards were in the process of trial production of their components. Inter-city MUs were being tested for use, and intra-city MUs were in the process of assembly. The first hybrid MU was also assembled. Traction experiment of the 12,000-ton heavy haul trains was completed for the 30t-axle load HXD2F high-power locomotives; HXN3 diesel locomotives tailored for plateau areas made its debut on the highlands of the world. The Group won bulk orders for 4,400 horsepower shunting diesel locomotives. The research and development of 80t-class general open wagons, covered wagons, flat wagons, tank wagons and hopper wagons were progressed in an orderly manner. Bogies for 200km/hour high-speed wagons reached a record high speed of 350km/hour on the roller testing rig. The production of the first intra-city rapid transit A-type rolling stock with dual power supply successfully completed. The 160km/hour multifunctional comprehensive working vehicle entered the market on a large scale. Oil motors for offshore drilling platforms passed the field test by American Bureau of Shipping. Eleven models at three power levels formed the complete product set of our onshore wind turbine generators. China CNR continued to research, develop and put into use its new products, which, combined with the implementation of a series of innovative business models such as general contracting, regional headquarters, IT value-added services and industrial development fund, helped promoting the Group's sustainable development.

Cost of sales

During the Reporting Period, the Group's cost of sales amounted to RMB84.62 billion, representing an increase of 5.64% on a year-on-year basis, which is of a smaller extent than the increase in revenue. During the Reporting Period, the Group's gross margin increased by 1.33%, from 17.21% in 2013 to 18.54% in 2014, primarily because of (i) changes in product mix with increased sales of products with relatively higher profit margin; (ii) breakthroughs in core technologies and management enhancement.

Selling and distribution expenses, administrative expenses and finance costs

During the Reporting Period, the aggregate amount of these three categories of expenses and costs of the Group increased by RMB1,184.54 million, or 9.71%, from RMB12,197.33 million of the corresponding period of the previous year to RMB13,381.87 million. The aggregate amount of such expenses and costs amounted to 12.88% of revenue, increased by 0.27% as compared with 12.61% of the corresponding period of the previous year. Among these expenses and costs, (i) selling and distribution expenses amounted to RMB2,025.40 million, representing an increase of 0.36% as compared with the corresponding period of previous year, mainly due to the slight increase in selling and distribution expenses resulting from the Group's aggressive market expansion during the Reporting Period; (ii) administrative expenses amounted to RMB9,771.87 million, representing an increase of 11.25% as compared with the corresponding period of previous year, mainly due to the increase in research and development costs which led to a corresponding increase in administrative expenses; and (iii) finance costs amounted to RMB1,584.60 million, representing an increase of 13.56% as compared with the corresponding period of previous year, mainly due to demand for funds along with the Group's business expansion during the Reporting Period.

Scientific and technological expenditure

Unit: RMB'000

Scientific and technological expenditure	5,899,959
Among which: Research and development expenditure expensed for the period	3,189,558
Research and development expenditure capitalized for the period	2,064
Percentage of total scientific and technological expenditure to total equity (%)	11.65
Percentage of total scientific and technological expenditure to total revenue (%)	5.68

During the Reporting Period, the Group further increased its expenses in research and development, with the annual expenditure amounting to RMB5,899.96 million or 5.68% of the revenue, representing an increase of 20.94% on a year-on-year basis. The Group has been market-oriented and adhered to open and synergistic innovation, focused on strengthening its independent innovation capabilities, aimed at accelerating its transition from "Made in China" to "Created in China" and "Led by China"; all of which resulted in the breakthroughs in key technologies, developments in major products and enhancement of technical innovation capabilities. The Group continuously increased its expenses in research and development, and accelerated its technical development so as to effectively support the Group's rapid sustainable development in the future.

Net cash flows

In 2014, the Group recorded net cash inflow of RMB14,756.44 million from its operating activities, representing an increase of RMB9,869.66 million in net cash inflow on a year-on-year basis. This was mainly due to the increase in the amount of cash received from sales of goods and rendering of services of the Group was greater than the increase in the amount of cash paid for goods and services on a year-on-year basis during the Reporting Period while the Group expanded its operations and production scale.

In 2014, the Group recorded net cash outflow of RMB9,943.75 million from investing activities, representing an increase of RMB4,227.77 million in the net outflow on a year-on-year basis, mainly due to the increase in investment expenditures of the Group during the Reporting Period.

In 2014, the Group recorded net cash inflow of RMB9,875.80 million from financing activities, compared with the net cash outflow of RMB415.59 million last year, mainly because the Group raised net proceeds of RMB7,822.28 million from issue of H-Shares during the Reporting Period.

(II) Others

A. Material changes in the Group's profit composition or sources of profits

During the Reporting Period, there has been no material change in the Group's profit composition or source of profit of the Group.

B. Progress in the implementation of various types of financing and major asset reorganization

For the progress in the implementation of various types of financing and major asset reorganization, please refer to the section headed "Significant Events" on pages 41 to 48 of this annual report.

C. Development strategies and progress of operation plans

In 2014, the Company firmly adhered to the guiding principles of "Growth", "Efficiency" and "Health", focused on steady growth, brand new way of operation and internationalization, and implemented the "three-stage" development strategies through optimization of business structure, upgrading of product technologies, enhancement in management and innovation in operation model, with a view of achieving progress in various aspects effectively and further enhancing quality and efficiency of the Company's development.

(1) Continuous optimization in business structure and remarkable progress in market expansion

The Group has put great effort to develop technological innovations and synergistic innovations, which in turn accelerated the progress of development of new products and horizontal transfer of technologies. The Group has enhanced its position in the rolling stock market and continued to strengthen its overall competitive advantages. While the Group has consolidated their market shares in relation to locomotives, passenger coaches and freight wagons in the national railway markets, their performance in overseas markets have been equally outstanding. The high-speed MUs business segment realized significant growth, and the inter-city railcars business segment experienced significant regional synergic effects. The adjustment of the business structure was accelerated, driving the Group's single business model to a diversified one. In 2014, the contributions from diversified businesses have increased with greater growth realized in the sales of diversified products including new energy equipment such as wind-power products, environmental technology products and other mechanical machineries. The modern service business segment also experienced sound development, in light of the faster merging of manufacturing and service industries. As the business structure continued to optimize, the Company has enhanced its ability to counter single market risks gradually.

(2) Innovation in operation model and continuous acceleration in transformation and improvement

The Group has proactively established a business-driven management model. While insisting on a business-oriented approach, the Company optimized its resource allocation, strengthened its capital investment and strategic cooperation with local governments, large state-owned enterprises and private enterprises, and promoted its structural adjustment and regional development in an orderly manner. As a result, it has formulated its bases in the Northeast, the Northwest and Northern China and extended to areas covering the East, South, Central and Southwest of China. The Group has continued to improve its business models in the overall contracting systems and the integration of business and finance. The Group has also proactively developed collaborative business models. Vertically, it endeavored to create production chains with competitive advantages and laterally, with the rolling stock as its core business, it provided directions for the systematic solutions to resource allocations for urban cities in the future and endeavored to create regional collaborative business clusters. It has also made great effort in implementing innovation-driven strategies. Rolling stock and system components are developed to serve the market, forming an innovative product technology system covering chips, components, systems and complete units and vehicles. The integration of information technology and business has been accelerated to enhance the level of digitalization of corporate information and product information. While strengthening the strategic cooperation with state-owned enterprises, research institutes and colleges, the Company effectively utilized public resources to promote the development of emerging industries and modern service businesses.

(3) *Enhancement of technological innovation and continuous strengthening of core competitive advantages*

The Group has made great effort to implement special initiatives of “leadership”, “sprinting”, “replacement” and “enhancement”, putting a large number of new products into operation. Breakthroughs were continuously made in key technologies and the product mix of the Company was constantly optimized. A major leap was achieved in high-end rolling stock technology, such as high-speed MUs, high-powered AC locomotives, heavy-hauling and rapid freight wagons and rapid transit vehicles, and the technology level of certain products has reached leading international standards. Remarkable results have been achieved in the development of a series of core technologies such as high-powered IGBT chips, embedded chips specially designed for rolling stock, railway passenger information service system, unit-brake technology and brake system. Constant breakthroughs were made in technological innovation, providing strong support and guidance in enhancing the core competitiveness of China CNR and the rapid development of the enterprise.

(4) *Acceleration of overseas expansion and commencement of multinational operations*

The Company has been actively developing its overseas market with continuous increase in export sales and the number of export contracts entered into. Products have been exported to more than 80 countries and regions in total. Various kinds of rolling stock products have been exported to developed countries from six continents. The Company has proactively established its global layout of resource allocation, and accelerated its strategic overseas layout through investments, mergers and acquisitions and joint ventures. Whilst promoting its products, technologies, standards and services to “go global”, the Group has gradually developed its “product+service” business model and commenced its multinational operations. Currently, China CNR has established 12 overseas investment enterprises and 3 overseas technology centers. The trans-nationality index (TNI) of the Company kept rising. China CNR’s H Shares were successfully listed in 2014, representing a significant breakthrough of its capital internationalization.

(5) *Enhancement of management innovation and dramatic improvement in efficiency and effectiveness*

Long-term effective management enhancement system has been established, thereby achieving results in enhancing management quality. In 2014, China CNR was among one of the 35 state-owned enterprises being accredited as the advance unit for management enhancement activities (管理提升活動先進單位). The Company has further developed innovative and benefit-generating activities and continuously revised and improved its performance appraisal system in order to direct the enterprise to focus on the development of quality and effectiveness. Meticulous management was constantly promoted and management benchmarking activities were carried out, thereby achieving cost reduction and efficiency enhancement. The Company insisted on a target-led approach for enhancing quality management and enhanced quantitative controls. During the annual event of “Light of Quality” (質量之光) in 2014, China CNR was awarded the Glamourous Brand of the Year (年度魅力品牌) award. The Company further promoted integration of business and information technology and commenced the operation of the “IT Ascending Project III” (信息化登高3號工程). The Company also further improved its internal control system and strictly implemented safe production accountability system in order to better strengthen its management and regulate its operations, thereby ensuring that the production processes are safe, orderly, stable and controllable. The Company also actively promoted the establishment of energy management and control platforms and smart monitoring platform for key equipment, in order to facilitate energy conservation and emission reduction of the enterprise. Through various initiatives to enhance management and improve effectiveness, such as value engineering analysis, modular design and the optimization and improvement of the material feeding process, remarkable results have been achieved in terms of cost reduction and efficiency enhancement.

DEBT STRUCTURE, LIQUIDITY AND CASH FLOW

Unit: RMB'000

	31 December 2014		31 December 2013		
	Amount	Percentage to the total liabilities (%)	Amount	Percentage to the total liabilities (%)	Increase (%)
Total current liabilities	88,330,891	89.67	74,003,614	91.82	19.36
Of which: Interest-bearing loans and borrowings	24,199,339	24.57	20,609,153	25.57	17.42
Trade and bills payables	43,187,599	43.84	36,026,256	44.70	19.88
Other payables and accruals	19,501,160	19.80	16,063,130	19.93	21.40
Total non-current liabilities	10,171,682	10.33	6,589,668	8.18	54.36
Of which: Interest-bearing loans and borrowings	4,933,521	5.01	1,415,277	1.76	248.59
Total liabilities	98,502,573	100.00	80,593,282	100.00	22.22

As at 31 December 2014, the Group's short-term interest-bearing loans and borrowings increased by 17.42% as compared with that at 31 December 2013, primarily due to the Group's corporate demand for funds in order to ensure the payment of the follow-up orders and the progress of the production cycle during the Reporting Period.

As at 31 December 2014, the Group's trade and bills payables increased by 19.88% as compared with that at 31 December 2013, primarily due to the Group's expansion of business scale, increase in number of transactions and volume of procurement, and the increase in settlements by bills with its suppliers during the Reporting Period.

As at 31 December 2014, the Group's other payables and accruals increased by 21.40% as compared with that at 31 December 2013, primarily due to the increase of receipts in advance by the Group during the Reporting Period.

As at 31 December 2014, the Group's long-term interest-bearing loans and borrowings increased by 248.59% as compared with that at 31 December 2013, primarily due to the adjustment of the constitution of its loans and borrowings and adoption of medium-term notes for financing by the Group during the Reporting Period.

Borrowings, Corporate Bonds and Medium-term Notes

As at 31 December 2014, the Group had total interest-bearing loans and borrowings of approximately RMB29,132.86 million, which increased by 32.28% from RMB22,024.43 million as at 31 December 2013, mainly due to the corporate demand for funds in order to ensure the payment of follow-up orders and the progression of production cycle.

As at 31 December 2014, out of the total interest-bearing loans and borrowings of the Group, RMB26,830.44 million was denominated in Renminbi, RMB1,911.97 million was denominated in US dollar, RMB206.60 million was denominated in South African Rand, RMB135.32 million was denominated in Euro, RMB26.06 million was denominated in Japanese Yen and RMB22.47 million was denominated in Hong Kong dollar.

The Group's long-term interest-bearing borrowings and short-term interest-bearing borrowings as at 31 December 2014 were RMB4,933.52 million and RMB24,199.34 million, respectively. The following table sets forth the maturity profile of the interest-bearing loans and borrowings repayable of the Group as at 31 December 2014 and 31 December 2013:

Unit: RMB'000

	31 December 2014	31 December 2013
Within one year, inclusive	24,799,699	20,931,223
One to two years	1,172,071	1,411,508
Two to five years	4,279,524	5,237
Over five years	18,643	21,133
Total	30,269,937	22,369,101

As at 31 December 2014, the Group's total interest-bearing entrusted and bank loans and other borrowings at floating interest rate amounted to RMB7,199.80 million, as compared to RMB6,486.78 million as at 31 December 2013.

As at 31 December 2014, the Group's short-term inter-bank corporate bonds with an aggregate principal amount of RMB17,000.00 million, which were interest-bearing at fixed interest rate, as well as medium-term notes with an aggregate principal amount of RMB4,000.00 million, which were interest-bearing at fixed interest rate.

The total amount of interests capitalized during the Reporting Period was RMB497.71 million.

Gearing Ratio(1)

As at 31 December 2014, the Group's gearing ratio was 57.52%, representing an increase of 1.85% from 55.67% as at 31 December 2013, mainly due to the increase in liquidity requirements during the Reporting Period and resulting in the increase in interest-bearing liabilities as compared to the end of the previous year.

Pledged Assets

As at 31 December 2014, the Group had pledged the following for bank borrowings and bills payable: bank deposits and trade and bill receivables of RMB1,102.64 million (at 31 December 2013: RMB1,373,68 million).

(1) Gearing ratio is calculated by total debt divided by total equity at the end of the Reporting Period and multiplied by 100%. Total debt is defined as payables incurred not in the ordinary course of business.

Capital Expenditures and Capital Commitments

During the Reporting Period, the Group's capital expenditures amounted to RMB5,052.69 million, which mainly consisted of property, plant and equipment of RMB4,326.27 million, intangible assets of RMB242.68 million and lease prepayment of RMB483.74 million. Further details of the capital expenditures are set out in notes 11, 12 and 14 to the audited financial statements.

As at 31 December 2014, the Group had capital commitments of RMB2,993.88 million contracted for but not yet incurred, which would be mainly used for the acquisition of properties, plants and equipment.

Cash Flow

As at 31 December 2014, the Group had approximately RMB163,341.99 million of banking facilities available to the Group from commercial banks, of which approximately RMB110,398.54 million was unutilized and unrestricted. As at 31 December 2014, the Group had cash and cash equivalents of approximately RMB21,760.07 million, out of which RMB16,716.58 million was denominated in Renminbi, RMB3,832.17 million was denominated in US dollar, and RMB21.39 million was denominated in Euro.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any material contingent liabilities.

RISK MANAGEMENT

The Group is exposed to various types of market risks in the ordinary course of its business, including credit risk, liquidity risk, interest rate risk and currency risk.

Credit Risk

Credit risk of the Group is primarily attributable to cash at bank, trade and bills receivables, prepayments, deposits and other receivables and other non-current assets. The Group has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. Substantially all of the cash at bank of the Group are deposited in state-owned/controlled PRC banks which the Group assessed the credit risk to be insignificant.

Liquidity Risk

The Group aims to ensure continuity of sufficient funding and flexibility by utilizing a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that its outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. The Group has regularly monitored current and expected liquidity requirements to ensure that sufficient reserves of cash and adequate committed lines of funding from major financial institutions are maintained to meet the Group's liquidity requirements in the short and long term.

In addition, the Group has actively and regularly reviewed and managed its capital structure to maintain a balance between higher equity shareholder returns that might be associated with higher levels of borrowings and the advantages and security provided by a sound capital position, and has made adjustments to the capital structure in light of changes in economic conditions. No changes were made in the Group's objectives, policies or processes for managing capital during the Reporting Period.

Interest Rate Risk

The Group is exposed to the risk of fluctuation in market interest rates which relates primarily to its interest bearing bank borrowings with a variable interest rate. The Group has reviewed and monitored the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the Reporting Period, the Company did not use interest rate swaps to hedge its exposure to interest rate risk.

Currency Risk

The functional currency of the Group is the Renminbi with most of its transactions settled in Renminbi. The Group normally uses, however, foreign currencies, to settle its invoices from overseas operations, to settle its purchases of machinery and equipment from overseas suppliers and for certain expenses. RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future.

BUSINESS REVIEW

(I) The Board's Discussion and Analysis on the Operations of the Group for the Reporting Period

A. Analysis on Core Business

(1) Revenue breakdown by business

Unit: RMB'000

By business	Revenue	Cost of sales	Gross profit margin (%)	Increase/ (decrease) in revenue as compared to the corresponding period of the previous year (%)	Increase/ (decrease) in cost of sales as compared to the corresponding period of the previous year (%)	Increase/ (decrease) in gross profit margin as compared to the corresponding period of the previous year (%)
Rolling stock business	77,843,860	61,135,898	21.46	14.47	13.11	0.96 percentage point
General mechanical and electrical business	1,687,072	1,348,161	20.09	(5.93)	(8.61)	2.39 percentage points
Modern service business	19,064,458	17,600,308	7.68	(16.41)	(16.89)	0.58 percentage point
Emerging industry business	5,286,226	4,539,892	14.12	27.30	33.41	(3.98) percentage points
Total	103,881,616	84,624,259	18.54	7.36	5.64	1.33 percentage points

Rolling stock business: The revenue of rolling stock business increased by 14.47% on a year-on-year basis, mainly due to the Group's active expansion in railway and other markets while taking advantage of the railway market.

General mechanical and electrical business: The revenue of general mechanical and electrical business decreased by 5.93% on a year-on-year basis, mainly due to the decrease of sales of machinery and other products as a result of market changes.

Modern service business: The revenue of modern service business decreased by 16.41% on a year-on-year basis, mainly because of the decrease of the revenue generated from the construction contract and logistic services.

Emerging industry business: The revenue of emerging industry business increased by 27.30% on a year-on-year basis, mainly due to the progress in business development of wind power, smart pneumatic machinery and energy conservation project.

(2) Revenue breakdown by regions

Unit: RMB'000

	2014		2013		
	Revenue	Percentage (%)	Revenue	Percentage (%)	Increase/ (decrease) (%)
Domestic market	98,326,162	94.65	89,179,841	92.17	10.26
Overseas market	5,555,454	5.35	7,576,229	7.83	(26.67)
Total	103,881,616	100.00	96,756,070	100.00	7.36

During the Reporting Period, the Group's revenue from the domestic market increased by 10.26%, while the revenue from the overseas market decreased by 26.67% on a year-on-year basis. The increase in revenue from the domestic market was mainly due to the revenue growth driven by the Group's active development of domestic market, expansion of business scope and the customers' trust in its high-quality products. The decrease in revenue of overseas market was mainly due to decrease in the quantity of the goods delivered according to the delivery cycle of the export orders during the Reporting Period.

B. Analysis on Equity Investments

(1) *Analysis on equity investments*

(a) Equity investments

Unit: RMB million

Overall Analysis on External Equity Investments	
Investment amount during the Reporting Period	4,252.58
Decrease in investment amount	(1,519.06)
Investment amount for the corresponding period of previous year	5,771.64
Percentage of decrease in investment amount (%)	(26.32)

Details of equity investments made by the Group during the Reporting Period are set out as follows:

	Name of investee	Principal activities	Percentage in the equity of the investee (%)	Form of investment
1.	CNR Southern Co., Ltd.* (北車南方有限公司)	Transportation equipment manufacturing	100	Capital injection
2.	CNR Financial Corp., Ltd.* (中國北車集團財務有限公司)	Finance	91.66	Acquisition of non-controlling interests
3.	CNR (Dalian) Tram System Co., Ltd.* (北車(大連)有軌電車系統有限公司)	Railway transportation equipment manufacturing	51	Newly established
4.	Harbin Railway Transportation Equipment Co., Ltd.* (哈爾濱軌道交通裝備有限責任公司)	Railway transportation equipment manufacturing	100	Capital injection
5.	Mudanjiang JinYuan Coupler Buffer Manufacturing Co., Ltd.* (牡丹江金緣鉤緩製造有限責任公司)	Railway transportation equipment manufacturing	100	Capital injection
6.	Qiqihar Railway Rolling Stock Co., Ltd.* (齊齊哈爾軌道交通裝備有限責任公司)	Railway transportation equipment manufacturing	100	Capital injection
7.	CNR MA Corporation	Railway transportation equipment manufacturing	100	Newly established
8.	CNR CRC (Thailand) Co., Ltd.	Trading services	49	Newly established
9.	Beijing Tianlu Longxiang Rolling Stock Co., Ltd.* (北京天路龍翔交通裝備有限公司)	Railway transportation equipment manufacturing	50	Newly established
10.	Zhengzhou CNR Railway Equipment Co., Ltd.* (鄭州北車軌道裝備有限公司)	Railway transportation equipment manufacturing	90	Newly established
11.	Nanchang CNR Railway Equipment Co., Ltd.* (南昌北車軌道裝備有限公司)	Railway transportation equipment manufacturing	57	Newly established
12.	Shentong CNR (Shanghai) Railway Vehicles Manufacturing Co., Ltd.* (申通北車(上海)軌道交通車輛維修有限公司)	Railway transportation equipment manufacturing	50	Newly established
13.	CNR Rolling Stock South Africa Proprietary Limited	Railway transportation equipment manufacturing	66	Newly established

	Name of investee	Principal activities	Percentage in the equity of the investee (%)	Form of investment
14.	Shenzhen CNR Rolling Stock Co., Ltd.* (深圳北車軌道車輛有限公司)	Railway transportation equipment manufacturing	50	Newly established
15.	CNR Wind Power Co., Ltd.* (北車風電有限公司)	New energy equipment manufacturing	100	Capital injection
16.	CNR Wind Power (Xilingol) Co., Ltd.* (北車風電(錫林郭勒)有限公司)	New energy equipment manufacturing	100	Newly established
17.	CNR Qiqihar Rolling Stock Co., Ltd.* (北車齊齊哈爾鐵路車輛有限責任公司)	Railway transportation equipment manufacturing	100	Capital injection
18.	CNR Investment & Leasing Corp., Ltd.* (北車投資租賃有限公司)	Leasing	100	Capital injection
19.	CNR (Hong Kong) Corporation Limited (北車(香港)有限公司)	Investment and trading	100	Capital injection
20.	CNR Lanzhou Locomotive Co., Ltd.* (北車蘭州機車有限公司)	Railway transportation equipment manufacturing	100	Capital injection

(b) Equity interests in other listed companies held by the Company

Unit: RMB'000

Stock code	Abbreviation	Initial investment amount	Percentage in the share capital of the company invested	Carrying amount of investment at the end of the Reporting Period	Gain during the Reporting Period	Change in the owner's interests during the Reporting Period	Accounting item	Source of equity interest
SH.600458	Times New Material	13,875	0.83	67,898	335	10,377	Available-for-sale investment	Purchase from original issued shares
HK.00580	SUN.KING ELEC	27,854	3.75	29,889	407	(4,286)	Available-for-sale investment	Purchase from original issued shares
Total		41,729	/	97,787	742	6,091	/	/

(c) Equity interest in non-listed financial enterprise held by the Company

Name of company in which equity interests are held	Initial investment amount (RMB)	Number of shares held	Percentage in the share capital of the company invested	Carrying amount at the end of the Reporting Period	Dividend received from non-listed financial enterprise during the Reporting Period (RMB)	Change in the owner's interests during the Reporting Period (RMB)	Accounting item	Source of equity interest
CNR Financial Corp., Ltd.* (中國北車集團財務有限公司)	1,000,000,000	–	91.66	1,109,433,000	35,750,000	–	Investment in subsidiary	Initial investment

(2) Analysis on principal subsidiaries and investees

Unit: RMB'000

Company name	Principal products and business scope	Registered Capital	Year-end total assets	Year-end total equity attributable to shareholders of parent company	2014 profit attributable to shareholders of parent company	2014 Operating Revenue	2014 Operating Profits
Changchun Railway Vehicle Co., Ltd.* (長春軌道客車股份有限公司)	Research and development and manufacture of railway MUs, passenger coaches and rapid transit vehicles; refurbishments of railway MUs and premium passenger coaches	5,807,947	36,471,767	10,594,413	2,783,879	30,277,420	3,559,250
Tangshan Railway Vehicle Co., Ltd.* (唐山軌道客車有限責任公司)	Research and development and manufacture of railway MUs, passenger coaches and rapid transit vehicles; refurbishments of railway MUs and premium passenger coaches	2,257,000	24,598,451	6,763,535	2,137,203	18,248,320	2,490,602

(3) Entrusted wealth management and investment in derivatives with non-financial institutions

During the Reporting Period, the Company did not have any entrusted wealth management, entrusted loans, or other investment in wealth management products and derivatives.

(4) Use of Proceeds

H Shares

Pursuant to "The Approval on the Issue of Overseas Listed Foreign Shares of China CNR Corporation Limited" (Zheng Jian Xu Ke [2014]No.404) issued by the CSRC, in May 2014, the Company made a public offering of 1,939,724,000 overseas listed foreign shares (H Shares) (including over-allotment) and the total proceeds were HK$10,028,373,080.

In 2014, the Company utilized an aggregate amount of proceeds from the offering of its H Shares of approximately HK$2,375 million, for projects relating to emerging industry and modern service businesses and other projects. The Company has utilized such net proceeds in a manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

As at 31 December 2014, the Company utilized an aggregate amount of proceeds from the offering of its H Shares of approximately HK$2,375 million and received an accumulated interest income of HK$66 million from bank deposits. As at 31 December 2014, the balance of the designated H Shares' proceed account of the Company amounted to HK$7,719 million.

A Shares

In December 2009, the Company made an initial public offering of 2.5 billion A Shares of RMB1.00 each at an issue price of RMB5.56 per share and the total proceeds were RMB13.90 billion. The net proceeds, after deducting the issue expenses, were RMB13,542,924,626.23. During the Reporting Period, the Company used a total of approximately RMB74.19 million out of the proceeds. As at 31 December 2014, the Company utilized a cumulative amount of approximately RMB13,560.55 million out of the proceeds (including the excess of the actual proceeds over the amount required for the projects to supplement the general working capital of the Company, amounting to RMB5,360 million, and the temporary supplement of working capital of RMB213.65 million). As at 31 December 2014, details of the cumulative amount of proceeds applied by the Company in the following projects are as follows:

Unit: RMB million

	As at 31 December 2014
Introduction, digestion and absorption of technology for high-speed MUs, high-speed electric and diesel locomotives and the new domestic transformation projects	4,883.10
Projects for meeting the needs for speed upgrade and heave-hauling in railway transport, improving product quality and technology level and international competitiveness	1,551.10
Projects for utilization of core technologies for the development of relevant markets of diversified products and improvement of economic efficiency of enterprises	1,404.24
Construction projects of information system	148.46

In addition, the Company placed 2,020,056,303 RMB-denominated ordinary shares (A Shares) of RMB1.00 each at an issue price of RMB3.42 per share to all shareholders of the Company as at the record date (i.e., 24 February 2012) in the proportion of 2.5 shares for every 10 shares and the total proceeds were RMB6,908,592,556.26. The net proceeds, after deducting the issue expenses, were RMB6,873,641,122.63. During the Reporting Period, the Company used a total of approximately RMB603.88 million out of the proceeds. As at 31 December 2014, the Company utilized a cumulative amount of approximately RMB6,855.08 million out of the proceeds (including temporary supplement of working capital of RMB256.70 million). As at 31 December 2014, details of the cumulative amount of proceeds applied by the Company in the following projects are as follows:

Unit: RMB million

	As at 31 December 2014
Research and development of technology of high-speed railway vehicles and transformation of efficiency enhancement	1,842.82
Research and development of technology of high-powered locomotives and high-speed heavy-hauling freight wagons and transformation of efficiency enhancement	2,262.23
Relevant diversified segments	249.69
Capital injection into finance leasing companies	500.00
Supplementing general working capital	1,773.64

Idle proceeds used to replenish the working capital

As approved at the 30th meeting of the second session of the Board, on 24 June 2014, on the basis that the funds raised from the initial public offering and placing shall be applied for the stipulated purposes, the Company decided to continue to use RMB783 million of the idle proceeds temporarily for replenishing its working capital, of which RMB223.1 million was from idle proceeds designated for investment projects and interest income generated from the designated account for proceeds from the initial public offering in 2009 (representing approximately 1.65% of the net proceeds from the initial public offering in 2009), and RMB559.9 million was from idle proceeds designated for investment projects and interest income generated from the designated account for proceeds from the placing in 2012 (representing approximately 8.15% of the net proceeds from the placing in 2012). These funds would not be used for a period longer than 12 month, and shall be returned to corresponding designated accounts of proceeds upon expiration of such period. During such period, in the event that the balance of the corresponding designated accounts become insufficient for settling its payment, the proceeds used to replenish the working capital shall be returned to the designated accounts on an as-needed basis. The Company's independent directors expressed their opinion and agreed such matter, and the Supervisory Committee also approved the resolution. Our sponsor, China International Capital Corporation, also provided its opinions specifically in this connection. On 24 June 2014, the Company made an announcement on websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company, disclosing details on the use of such idle proceeds for replenishing the working capital.

C. Core Competence

The rolling stock industry has been identified as a strategic emerging industry, an important component of high-end equipment manufacturing, in China. China CNR is a leading enterprise in the rolling stock manufacturing industry in China and also an important member of the global rolling stock manufacturing industry. In recent years, in accordance with the strategic plan of the Central Committee of the Communist Party and the State Council of the PRC regarding the acceleration of the development of strategic emerging industries, China CNR grasped the historical opportunity of the significant development of railways and urban rail transportation, increased its investment in independent innovation and business development, speeded up the adjustment of its product mix, enhanced its innovation capability, and developed a range of technologically-advanced, safe and reliable high-end rolling stock products with competitive prices, which enhanced the international image of the PRC equipment manufacturing industry. While satisfying the domestic demand for railways and urban rail transportation development, the Group maintained its export of various kinds of rolling stock, mainly exporting its products to developed countries from six continents, which further enhanced the international image of the equipment manufacturing industry of China and provided strong support for the high end equipment manufacturing industry to achieve the objectives of "going global". According to the world rankings of rolling stock published by SCI Verkehr, a German authoritative institution, China CNR ranked first in the global rolling stock industry for three consecutive years from 2011 to 2013. From 2009 to 2013, in terms of the global market share of major rolling stock products from 2009 to 2013, China CNR ranked first in the global market sales of electric locomotives and metro cars; ranked second in the sales of high-speed MUs and freight wagons; and was among the top 6 enterprises in the sales of other major products.

(1) Continuous improvement in technological innovation system and significant enhancement in innovation capabilities

The establishment of National Engineering Laboratory on System Integration of High-speed Trains, National Key Laboratory on Traction and Control of MUs and Locomotives, National Heavy-duty Rapid Freight Wagon Engineering Technology Research Center and National Passenger Coach System Integration Engineering Technology Research Center experiences continuous improvement and commenced to undertake researches and tests. Through continuous development of innovation capabilities and reform in technologies, China CNR currently owns four national R&D institutions, nine national enterprise technology centers, 27 provincial R&D institutions, three overseas R&D centers, nine special technological R&D centers, five post-doctoral workstations and five academic and expert workstations, and hence becoming a core enterprise in independent innovation for rolling stocks in China.

(2) Continuous strengthening of core competitive advantage and achievement of great leap in production technology standards

CRH380CL high-speed MUs have been put into operation in the Beijing-Shanghai High Speed Railway while CJ-2 intercity MUs were awarded the "Best of the Gold Prize" of the 2013 China Industrial Design Red Star Award (2013年度中國工業設計紅星獎「至尊金獎」). Metro cars and EMUs exported to Brazil successfully completed the transportation mission during the World Cup. Standard MUs have entered the component trial production stage in China. The assembly of urban MUs has commenced. The assembly of the first diesel-power hybrid power MU has been completed. The 12,000-tonne heavy haul traction test has been completed for the 30t axle load high-powered locomotives. The HXN3 diesel locomotive for plateau regions made its debut on the highlands of the world. In terms of core systems and major components of rolling stock, the Group has focused on the development and production of complete unit products and enhanced the domestic production level of core systems and major components such as brake systems, traction and control systems, network control systems, air springs and gearboxes. In particular, the NECT (北車心) traction electric transmission system and network control system independently developed by the Group was put into operation, representing China CNR's mastery of the technology in designing and manufacturing high-powered AC traction transmission systems and network control systems. Assessments on the brake systems for operation on locomotives have been completed, representing a significant breakthrough in the monopoly by foreign countries in the locomotive brake technology. The quality of patents has also been constantly enhanced, resulting in the submission of a total of 1,102 patent applications during the year, among which, 600 applications related to made for invention patents and 62 applications were made for PCT and foreign patents. The Group has continued to strengthen the standardization of its work, with its participation in formulating 31 national standards for the railway industry (of which the Group was responsible for drafting 12 standards) and formulating 187 industry standards for the railway industry (of which the Group was responsible for drafting 89 standards).

(3) Leading manufacturing scale in the world

Through continuous development of its innovation capabilities and reform of production technology, the Company has reached an annual capacity to manufacture 1,000 new electric and diesel locomotives, 4,700 MUs, rail vehicles and rapid transit vehicles and 30,000 freight wagons of various types; and an annual capacity to repair 1,000 locomotives, 4,730 MUs and rail vehicles of various types and 32,000 freight wagons of various types. Such manufacturing capacity has generally fulfilled the volatile demand in the domestic market. The Group has met the international leading standards in respect of its production technology, production facilities and quality control measures. Product quality has been steadily enhanced, and information technology has had increasingly positive impact on enterprise development.

(4) Strong momentum for the development of globalization

The Group has achieved growth in overseas sales and export orders for consecutive years, and maintained an overall export trend for various kinds of rolling stock products. Diesel locomotives entered the EU market for the first time during the year and the Group made the largest single order for overseas sale of diesels locomotives in China by entering into a contract for exporting 232 diesels locomotives to South Africa. The export of 160km semi high-speed MUs to Malaysia was the first high-speed railway export project in China. The entering into export contracts for 284 metro vehicles with the United States also marked the Group's presence in the U.S. market for the first time, and the Group was also the first PRC rolling stock enterprise to enter into the U.S. cross-border investment and operation in this regard. While increasing export of its products, the Group has also actively driven its products, technologies, standards and services to "go global". The Group has accelerated its overseas strategic deployment, with its investment and acquisition of Australian Railway Engineering Pty Ltd, its investment and establishment of companies including CNR Pioneer Electric Private Limited, CNR MA Corporation and CNR Rolling Stock South Africa Proprietary Limited. In May 2014, the Company also successfully listed its H Shares on the Hong Kong Stock Exchange, which further promoted the globalization of its resource allocation.

(5) Thorough enhancement in management and achievement in management innovation

Through the establishment of financial integration and the development of electronic supply chain management platform in a thorough manner, the Group has continuously facilitated the intensive integration of information technology and various businesses with a focus on efficient production and meticulous management. The Group has also continuously improved its performance appraisal system with an increased appraisal weighting on EVA, and thoroughly carried out benchmarking activities to encourage sense of competition and continued improvement within the enterprise. The Company insisted on a target-led approach for enhancing quality management. Through enhancing quantitative controls, some of the enterprises or products have achieved "One vehicle (model) – One benchmark, One plant – One benchmark" (「一車(型)一指標,一廠一指標」) in order to overcome shortcomings and guide the enterprise to place more emphasis on the quality and efficiency of its development. By improving the comprehensive risk management system and effectively preventing market risks, capital risks, legal risks and quality and production safety risks, the Group has achieved sound operations with continuous enhancement in its operation quality and competitiveness.

(6) Continuous enhancement of capabilities in creating corporate values

Through the innovation in modeling, technology and management, the Group has continued to optimize its management and control model with an advancing level of operation management while maintaining growth in revenue and profits, and improving its brand value and image.

D. Employees and Remuneration Policies

Developing and maintaining a team of capable and motivated managerial, technical and other employees is critical to the Group's success. The remuneration package for the Company's employees generally includes salaries and bonuses. Employees also receive welfare benefits, including medical care, housing subsidies, retirement benefits, occupational injury insurance and other miscellaneous items. As at 31 December 2014, the Group had 86,762 full-time employees and the total staff cost of the Group for the year ended 31 December 2014 amounted to RMB10.15 billion. Employee recruiting and retention policies have been formulated, taking into account a number of factors, including market conditions and its business demands and expansion plans. The Group aims to recruit, train and retain talented professionals through a multi-step recruiting and training process, and offers competitive performance-linked remuneration packages and career development opportunities to its employees. Periodic performance reviews are conducted for employees, and performance-based salaries and bonuses are offered. In addition, the Company has implemented training programs according to different job requirements. The Company believes that these initiatives have contributed to increased employee productivity.

As required by the applicable regulations in the PRC, the Company and its PRC subsidiaries participate in defined contribution retirement schemes organized by the relevant local government authorities, where the Group is required to make contributions of approximately 18% to 22% of the average basic salaries of the employees in the cities where the Group operates. The Group also participates in supplementary pension schemes, pension subsidies and early retirement benefit plan. The Group does not have other material obligations for the payment of pension benefits associated with these plans beyond the annual contributions described above. Further details of the Group's defined contribution obligations are set out in note 5(b) to the financial statements.

The Directors, Supervisors and senior management of the Company receive compensation in the form of salaries, employer's contribution to employees' benefit schemes (including pension, occupational injury insurance, maternity insurance, medical insurance, unemployment allowance and housing provident fund), bonuses and other allowances and benefits-in-kind. The total compensation payments to the Directors and Supervisors recognized by the Group amounted to RMB4.72 million for the year ended 31 December 2014. The remuneration of Directors, Supervisors and senior management of the Company is determined with reference to factors including the salaries paid by comparable companies, time commitment and responsibilities of the Directors, Supervisors and senior management of the Company, employment conditions of other positions in the Company and desirability of performance-based remuneration. The Remuneration and Appraisal Committee of the Company is responsible for reviewing and examining the remuneration policies and plans of the Directors, president and other senior management of the Company from time to time.

(II) Business Outlook for 2015

(1) Competitive landscape and development trend of the industry

1. The macro economy is stable and improving, but risks and challenges should not be underestimated. The global economic development on the whole is recovering slowly, economic globalization is developing rapidly, and international division of labour for different industries and international economic order are adjusting quickly, all of which provide new opportunities for the Company to make use of its strengths and to participate in the global allocation of resources. While the trend of the long-term domestic economic development has not changed, the economy of China has entered into the trend featuring rapid growth, and these bring new strategic opportunities for the development of high-end equipment manufacturing industry. Through deepening reform comprehensively to realize the benefits of the reform, stimulating market vitality and stabilizing market expectations, urbanization development is accelerating while the government increases the expenditure in the area of people's livelihood, investment and consumption maintain growth, and enterprises have the external environment for stable development and broader market. In terms of unfavorable factors, global trade in general is still in the doldrums, trade and investment protectionism is clearly on the rise, impact from both the reindustrialization in developed countries and homogeneous competition from developing countries are increasing, and enterprises are facing more intense international competition. Foundation for the recovery of Chinese economy is still not solid and the economic growth still faces downward pressure, and there remain concerns and risks in the stability of the economy. Enterprises are facing more complex market environment. With key material price going up, resource and environmental constraints enhancing, enterprises' cost control and enhancement of effectiveness becoming more difficult, the task for enterprises to achieve sustainable, healthy and rapid development is arduous.

2. The railway market is generally growing, but market competition is becoming fierce. As a major national infrastructure, railway is still the focus of the current national investment and construction. In the post-financial crisis era, all countries in the world pay attention to the pulling effect of infrastructure on the economy at different levels when promoting the economy to move from cyclical recovery to sustainable growth. The United States, Russia, India, Brazil, Saudi Arabia, Iran, Vietnam and other countries have launched rail transit construction and equipment renewal plan one after another. According to the analysis and forecast of organizations including an industry association of the European Railway (UNIFE), the world's rolling stock market will maintain an average annual increase of 3% with the average annual demand amounting to about 100 billion Euros by 2015. The global rolling stock market has huge room for development. China railway market continues to maintain steady growth. At present, China's railway network in operation has reached 112,000 km, among which, high-speed railway network has reached 16,000 km, with 12,000 km under construction. According to the adjusted *Mid-to-Long Term Railway Network Plan (《中長期鐵路網規劃》)*, China's high-speed railway network will reach 19,000 km by 2015 and high-speed passenger transportation network will cover provincial capitals and cities with a population over 500,000. In 2014, about RMB808.8 billion was invested in railway construction and an 8,427 km new railway network was built. In 2015,

investment in railway fixed assets will reach RMB800 billion, and 8,000 km new railway network will be built. During the 13th "Five-Year Plan", railway investment will remain at a high level. High-speed passenger railway will be intensively put into operation, and the transport capacity of existing railway lines will be unleashed gradually. The upgrading of locomotives, passenger coaches and freight wagons will speed up gradually, and demand for MUs will be unleashed intensively. Management system of railway construction will be improved consistently, and reform of the railway investment and financing system will be deepened. By advancement in the railway construction by category and the establishment of railway development fund and other channels, capital investment from the society will be attracted, which will further enhance the financing capacity of railway construction. The CRC adheres to its market-oriented principles and further clarifies its relationship with the Railway Bureau, deepens the reform of passenger transport and freight transport, encourages the Railway Bureau to take on management responsibilities, and commercializes the mode of transport and service means to comprehensively enhance the market competitiveness of railway. At the same time, with the railway reform deepening, the degree of marketization is further improved, and the market will become more complex. As a result, the Company faces dual pressure from domestic competitors and international corporations, and market competition will become more intense.

3. Market potential is enormous, but diverse development is severely challenging. In 2014, the State Council issued the *National New Urbanization Plan (2014 - 2020)* (*《國家新型城鎮化規劃(2014-2020年)》*), which clearly stated that promotion of urbanization is the key task, and indicated the direction for the implementation of China's urbanization strategy. With the pace of urbanization development accelerating and major cities increasingly expanding to the surrounding areas, the urgency in rail transit construction emerges, and construction of city transportation system has commenced in many places all over the country. In particular, as the State Council issued many policies including the delegation of the authority of city rail transit construction to local government, scale of city traffic system construction continues to expand. China has formed the world's largest and fastest developed rail transit construction market. In view of China's metro and light rail development for the next 5-10 years, China urban railway transportation and its relevant equipment manufacturing market will have promising prospects. According to the approved urban rail transit construction plan, 85 rail lines will be built in 40 cities with the total length of over 2,700 km by 2015. At the same time, benefited from the economic efficiency and environmental friendliness of trams, planning and construction of modern trams will boom. The promotion of urbanization and city development will promote the development of railway transportation, financial services, energy conservation and environmental protection, and property leasing industries, creating a huge market potential. However, diversified construction model, individualized product requirements and fierce market competition pose serious challenges to the Company's marketing model, financing capabilities, and management and control.

4. “High-speed railway diplomacy” presents valuable opportunity, but overseas expansion is challenging. The Central Committee of the Communist Party, the State Council and the SASAC hold high expectation regarding the development of high-end equipment manufacturing industries and actively promotes and supports industries with competitive advantages, such as high-speed railway and nuclear power, to speed up their “go global” strategies. Through continuous innovation, the rolling stock manufacturing industry in China has an advantageous position in the global arena based on its overall performance-to-price ratio. The Group possessed the world’s leading R&D platform for its rolling stock products, and its products have approached or reached the state-of the-art global standards. At the same time, the Group is one of the few enterprises in railway transportation industry which offers a full array of products in the global railway transportation industry. Represented by its “high-speed railway”, China rolling stock industry meets great opportunity in its “go global” initiatives. However, the high-speed railway “going global” is a huge systemic project, closely related to comprehensive national strengths, national railway image, and the survival and development of the enterprise, thus cannot afford any mistakes. The Company is facing unprecedented challenges as to, including, how to further strengthen safety of the high-speed railway technology to ensure that nothing goes wrong, how to open the “going global” financing channels, and how to innovate the international marketing model.

5. The reform of state-owned enterprises deepens, and the regulations imposed by various authorities become more stringent. The third Plenary Session of the 18th Central Committee of the Communist Party of China sent clear signals in relation to deepening of reform, and as a result, the reform of state-owned enterprises will bring profound influence to the Group. Although the Company’s overall development has made considerable progress in recent years, the contradiction between the scale of assets and business efficiency, resource allocation and utilization efficiency, as well as development pace and development quality still exists. This contradiction requires the Company to continually deepen its enterprise reform and adjustment, and constantly enhances the vitality and competitiveness of its business. In 2014, the H Shares of the Company were listed successfully, and the Company transformed from a domestic listed corporation into an overseas listed corporation. The Company is under more stringent and mature regulatory environment and is subject to domestic and international laws and regulations, while facing global investors’ attention and inquiries. The Company will further improve its corporate structure, regulate its overall operation, enhance profitability, continually create value, expand the room for development, enhance core competitiveness, and fulfill its solemn commitments to global investors.

(2) The Development Strategy of the Company

As the artery for the national economy, China's important infrastructure as well as a popular means of transportation, railway will continue to be China's focus of investment and construction going forward. The Central Committee of the Communist Party of China and the State Council issued *National New Urbanisation Plan (2014-2020)* *(《國家新型城鎮化規劃(2014-2020年)》)*. As urbanization continues to pick up its momentum, the city railway transportation and inter-city railway markets will maintain a trend of relatively high growth. "High-speed railway diplomacy" presents valuable opportunities and with "high-speed railways" as its symbol, China's rolling stock industry benefits from substantial opportunities in its "going global" initiative. In particular, with the implementation of strategic plans such as "One Belt and One Road" (一帶一路) and "interconnecting with neighbouring countries", the Company has been provided with good opportunities for expansion into the global market. The Company's future development strategies and decision-making will remain primarily based upon the "three-step" development strategy and will align with the aim of globalized development. The relevant strategies and decisions will be actively adapted to the new trend of economic development and will focus on strengthening, enhancing quality of and expanding state-owned enterprises. The Company will place the initiatives of "innovation, brand and efficiency" in a more prominent position, such that relationships between growth, efficiency and health can be coordinated, innovation-led principle will be upheld, adjustments in reform will be deepened, development model will be modified, and operational quality will be enhanced. The "three-step" development strategy will be continuously adjusted such that it will gradually lead to a new stage of globalised strategies mainly characterised by "transformation and upgrading, and multinational operations". The Company will endeavour to transform itself into a world-leading supplier of high-end equipment and system solutions with rolling stock at its core business supported by multinational operations. By the end of the 12th Five-Year Plan, the development objectives of the first and second steps within the "three-step" strategy are expected to have been fully realized. By then, China CNR will have become an internationalised, diversified multinational corporate group based on its general mechanical and electrical business and with rolling stock business at its core, and well supported by its modern service business and emerging industry business, which will be dedicated to providing systemic solutions for cities in the future, boasting core technologies in the industry and internationally renowned brands, thereby preliminarily positioning itself in the global business deployment and having achieved or approaching a Global 500 status in terms of operating revenue.

(3) Business Plan

2015 represents the year when the 12th Five-Year Plan is to be fully realised. The year is crucial for the comprehensive deepening of reform at state-owned enterprises, and it is a year for entering a new era characterised by full promotion of rule by law. Based on the landscape ahead and its development mission, the Company will firmly abide by its fundamental principle of striving for improvement in a steadfast manner, actively adapting itself to the new trend of economic development, focusing on strengthening, enhancing quality of and expanding the state-owned enterprise, and placing the "innovation, brand and efficiency" initiatives in a more prominent position. The "three-step" development strategy will be continuously adjusted so that it will gradually lead to a new stage of globalised strategies mainly characterised by "transformation and upgrading, and multinational operations", and the Company will endeavour to transform itself into a world-leading supplier of high-end equipment and system solutions with rolling stock products as its core business with multinational operations.

The Company will adhere strongly to its mission and responsibilities, consistently adopt an innovation-led approach, address the new trend with new ways of thinking, and support new development by means of new initiatives. While attempting to strengthen, enhance the quality of and expand the rolling stock industry, the Company will proactively nurture new business segments and endeavour to develop new business status. Core technologies for rolling stock products will be transferred to other mechanical and electrical equipment segment and the progress of industrialization and scaling-up will be accelerated. The Company will continuously accelerate its service transformation and proactively promote the Company's upward movement from the lower-end of the value chain to the upper-end of the value chain, which will involve the expansion of its business from production and manufacturing to the provision of production services. The Company will promote the integration of informatization and industrialization, and facilitate the modernization of corporate management through internet-based thinking, in line with the development trends of digitalization, networking and smart technologies. The Company will encourage the business development of supply chain e-commerce, continuously enhance the level of hi-tech functionalities and informatization in its products. Through paying close attention to and keeping itself informed of the implementation of strategic plans such as "One Belt and One Road"（一帶一路）, "interconnection with neighbouring countries" as well as the "going global" initiative of high-speed railways, the Company will actively participate in and make preparation for such plans. The Company will also step up its effort on "joint overseas expansion" in order to continuously enhance its capabilities of allocating global resources and accelerate its development from an export company to a multinational company and global enterprise.

(4) Capital Demand for Maintaining Current Business and Completing the Construction of Investment Project Company

In 2015, the Company will invest RMB4.97 billion in fixed assets investment projects under construction, mainly on the development of projects including manufacturing and refurbishment base for high speed MUs, high-power AC locomotives, heavy haul freight wagons and rapid transit vehicles key system manufacturing platform for and research and development of important parts and industrialization, and manufacturing platform for wind power equipment, coal equipment, engineering equipment, environmental protection products. Besides, it is also used to strengthen the development of enterprise energy management system, promote business diversification, globalization, regional development. The source of funding for fixed assets investment projects in 2015 is mainly from the raised proceeds, internal resources and bank loans.

(5) Potential Risks

(a) Strategic Risks

Macroeconomic risks: The global economy is slowly recovering and China's economy is operating at a mid-to-low speed. Market competition is heating up, and macroeconomic uncertainties bring about greater strategic risks for corporate development.

Policy risks: The relevant departments of railway management and the CRC have made a series of major adjustments in technological transfers, uses, product qualifications and bidding policies for the entire trains as well as parts and components, and have delegated a substantial part of their management authority and responsibility to lower level government authorities. They also implemented an administrative licensing system in connection with the entire train and implemented qualification and certification management in connection with component production. The design and development risks relating to new products are entirely borne by leading enterprises, while responsibilities and risks relating to supplier management are likewise entirely borne by sourcing enterprises.

Overseas merger and acquisition risks: As the Company's business increasingly grows and develops, and in line with the need to expand into international markets, the number of overseas investment and merger and acquisition projects will gradually increase. Overseas mergers and acquisitions represent a systemic, comprehensive and complex task involving very high risk exposures as well as various types of conflicts and risks arising from various aspects.

Measures:

Against the macroeconomic risk which arises from the increasing market uncertainties, by grasping market patterns and requirements, and with quality improvement, cost reduction and efficiency enhancement as the main focuses while using a solid system as safeguard, the Company will endeavour to promote the innovation in technologies, management, mechanism and model to create new competitive strengths which focus on technologies, quality, cost, service and brand, and to enhance the Company's overall competitive strengths and the quality of corporate development. The Company will thus be able to address the relevant risk steadfastly while unwaveringly promote the advancement of its collectivization, internationalization, diversification and modernization.

The Company will think proactively and take constructive actions in relation to industry management and self-discipline as well as the establishment of business norms.

The Company shall effectively prevent offshore investment risks and form highly efficient merger and acquisition teams. Prior to any merger or acquisition, it shall conduct financial and legal due diligence, tax planning and financing arrangements properly, and pay attention to human resources issues, environmental issues and cultural integration issues.

(b) *Legal Risks*

The Company's intellectual property risks and the Company's production and operational activities are inseparable, and is present throughout the Company's operations. These risks mainly include infringing the Company's corporate name, patented technology, proprietary technology, trademarks and trade secrets, and other intellectual property rights in relation to goods packaging and decoration. At the same time, there are also risks that the Company infringes another company's intellectual property rights, or becomes involved in intellectual property disputes or acts of unfair competition.

As the volume of export business gradually increases, overseas market expands, and the developed countries in Europe market gradually opens, the Company faces legal risks relating to intellectual property rights and on the application of laws involving in export business due to a lack of experience in overseas operation legal affairs.

Measures:

The Company will explore the laws in which overseas projects are located through multiple channels, enhance the use of external lawyers and overseas lawyers, hire law firms to assess legal risks involved during project execution, tackle legal disputes and strengthen risk analysis and prevention of intellectual property rights.

Through the establishment of project risk warning mechanism, the Company will strengthen its project risk management, especially in strengthening its efforts in identifying laws and regulations applicable in the project location at the overseas project bidding stage so as to recognize and prevent relevant risks as early as possible.

(c) *Operation Risks*

Project contracting risks: Certain subsidiaries adopt the BT project financing model in conducting their business. Apart from matters such as reporting, review and approval, complaint, evidence collection and service in later stages under the project master contracting model, there are also the risks of fund misappropriation associated with conventional BT projects.

Financial risks: When the financing environment changes, there may be risks of inability to obtain cash required for production operations and investment activities as well as changes in the product market. When the Company's production volume is not balanced and the demand for capital at the peak production period is relatively large, there may be risks of inability to obtain capital required for production operations. Subject to the impact from the economic environment, and due to market fluctuations, some of the customers' operations may face a relatively larger impact, which will in turn increase the Company's difficulty in collecting its accounts receivable.

Measures:

In connection with main project contracting contracts, the Company will make use of contractual terms to require sub-contractors to perform strictly in accordance with the requirements in the general contracting contracts, and will ensure the connection and transformation between the content of the general contracting contracts and the sub-contracting contracts. The Company intends to use asset securitization in connection with projects. In term of a single project, the Company intends to discount the receivables so as to eliminate the fund misappropriation risks. In addition, as the Company's counterparty is the government with higher creditworthiness, the relevant risks can be controlled.

To enhance cash budget management, reasonable arrangements will be made for the flow of funds to reduce the cost of capital and assets to liabilities ratio. The Company will also enhance its accounts receivables management and establish an effective mechanism to accelerate fund collection, so as to secure the supply of funds.

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

PRINCIPAL ACTIVITIES

The Group is principally engaged in research and development, manufacturing, refurbishment, technology services and leasing of various products such as rolling stock (including MUs and rapid transit vehicles), mechanical and electric equipment, environmental protection equipment and ancillary components.

Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements.

There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Group at that date are set out in the audited consolidated financial statements and the accompanying notes on pages 71 to 177.

Dividend distributions or proposals in the recent three years (including the Reporting Period):

Unit: RMB'000

Year of dividend distribution	Stock dividend for every 10 shares (share)	Cash dividend for every 10 shares (RMB) (tax inclusive)	Stocks from reserves for every 10 shares (share)	Total cash dividend (tax inclusive)	Profit attributable to equity shareholders of the Company in the consolidated statements during the year of distribution	% of profit attributable to equity shareholders of the Company in the consolidated statements (%)
2014[(1)]	–	–	–	–	5,492,351	–
2013	–	2.00	–	2,064,011	4,128,559	50.00
2012	–	1.00	–	1,032,006	3,430,806	30.08

Note: (1) A resolution was passed at the Company's 39th meeting of the second session of the Board, pursuant to which it was recommended that the Company shall suspend its profit distribution for 2014 so as to promote smooth Merger of the Company with CSR; and upon completion of the Merger, the post-merger new company shall make arrangements for the profit distribution of 2014 by taking into account such factors as the net profit and cash flow of the Company and CSR in 2014, and requirements of the relevant laws and regulations and the articles of association of the post-merger new company. Such proposal of profit distribution is subject to the approval by the Company's 2014 AGM.

AGM AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The notice of the forthcoming AGM will be published and dispatched to Shareholders of the Company in accordance with the requirements of the Hong Kong Listing Rules and the Articles of Association. The Company will announce the period of closure of register of members of H Shares in the notice of AGM to be issued.

SUMMARY OF FINANCIAL INFORMATION

A summary of the financial information for the last four financial years, as extracted from the audited consolidated financial statements, is set out in the section headed "Financial Summary" in this annual report.

ISSUED CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 33 to the financial statements.

SUBSIDIARIES

Particulars of the names, places of incorporation and issued/registered share capital of the Company's principal subsidiaries are set out in note 15 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Company during the year are set out in note 33(a) to the financial statements, and the details of reserves distributable to the shareholders are set out in note 33(e) to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the percentage of sales to the five largest customers of the Group amounted to approximately 62.32% and the percentage of sales to the largest customer of the Group amount to approximately 55.54%. During the Reporting Period, the total purchases attributable to the Group's five largest suppliers were less than 30%. None of the Directors, their close associates and any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) was interested in any of the Group's five largest customers or suppliers of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year ended 31 December 2014 are set out in note 11 to the financial statements on pages 115 to 118 of this annual report.

DIRECTORS

As of the end of the Reporting Period, the Directors of the Company are as follows:

Executive Director

Mr. Xi Guohua (奚國華) *(President)*

Non-executive Directors

Mr. Cui Dianguo (崔殿國) *(Chairman)*
Mr. Wan Jun (萬軍)

Independent Non-executive Directors

Mr. Li Fenghua (李豐華)
Mr. Zhang Zhong (張忠)
Ms. Shao Ying (邵瑛)
Mr. Sun Patrick (辛定華)

SUPERVISORS

As of the end of the Reporting Period, the Supervisors of the Company are as follows:

Mr. Chen Fangping (陳方平) *(Chairman)*
Mr. Zhu Sanhua (朱三華)
Mr. Liu Zhi (劉智)

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with Rule 3.13 of the Hong Kong Listing Rules, and is of the view that all independent non-executive Directors are independent. There were no changes to the composition of the Board and the Supervisory Committee of the Company during the Reporting Period.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

As at the end of the Reporting Period, there was no change to the information which are required to be disclosed and has been disclosed by the Directors and Supervisors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Hong Kong Listing Rules.

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 64 to 68 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of not more than three years until the conclusion of the forthcoming AGM which will elect members of the next session of the Board and Supervisory Committee. None of the Directors and Supervisors has an unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors and Supervisors of the Company receive compensation in the form of salaries, employer's contribution to employees' benefit schemes (including pension, occupational injury insurance, maternity insurance, medical insurance, unemployment allowance and housing provident fund), bonuses and other allowances and benefits-in-kind.

Details of the remuneration of Directors, Supervisors and the five individuals with highest emoluments are set out in notes 7 and 8 to the financial statements on pages 110 to 112 of this annual report.

For the year ended 31 December 2014, the remuneration of the Company's senior management (excluding Ms. Kwong Yin Ping Yvonne, one of the Company's joint company secretaries who is a vice president of an external corporate service provider) whose profiles are included in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report fell within the following bands:

Remuneration band	**Number of individuals**
HK$Nil to HK$1,000,000	8
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	0
HK$2,000,001 to HK$2,500,000	0

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or its subsidiaries was a party subsisted at the end of the Reporting Period or at any time during the Reporting Period in which a Director or Supervisor of the Company had a material interest.

MANAGEMENT CONTRACT

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors and Supervisors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement which enabled the Directors or Supervisors to acquire such rights in any other body corporate.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, as at the date of this annual report, the Company has been maintaining sufficient public float as required by the Hong Kong Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or applicable laws of the PRC where the Company is incorporated.

DONATIONS

During the Reporting Period, the Group made donations of RMB4.74 million.

CONNECTED TRANSACTIONS

During the Reporting Period, the Company has entered into the following transaction with connected persons as defined in the Hong Kong Listing Rules:

(A) Non-exempt connected transaction

Pursuant to the "Regulatory Guideline No. 4 in relation to the Undertakings and Performance of the Listed Company's Controller, Shareholder, Related Parties, Offerors and the Listed Company" issued by CSRC and the requirements in the relevant notices issued by the Beijing Office of the CSRC, on 24 June 2014, the Board considered and approved "The Resolution on the Change of Performance of Undertakings by Controlling Shareholder in relation to Buildings without Building Ownership Certificates" and agreed to the change of performance of undertakings by the Company's controlling shareholder, CNRG, in relation to buildings without building certificates.

On 29 August 2014, CNRG executed the revised undertakings (the "**Revised Undertakings**") in favor of the Company, pursuant to which CNRG agreed to the following revised undertakings:-

(i) in respect of the 48 buildings for which building ownership certificates are not required, 71 buildings in earthquake-hit areas with low possibility of successful application and 20 buildings under relocation plan of the government and no building ownership certificate can be obtained, the Company will not proceed with the application for building ownership certificates.

(ii) CNRG shall indemnify the Company for all losses and expenses arising from issues relating the ownership or building ownership certificates of the buildings mentioned in sub-paragraph (i). CNRG will negotiate with the Company to repurchase the buildings at a fair price not less than the original valuation of the buildings contributed to the Company upon incorporation of the Company if so required by the Company.

As the transaction contemplated under the Revised Undertakings is considered to be a connected transaction for the Company, the Revised Undertakings were subject to independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules. The Revised Undertakings were considered and approved by the Shareholders at the extraordinary general meeting of the Company held on 28 October 2014.

(B) Non-exempt continuing connected transactions

The Group has previously disclosed a series of continuing connected transactions relating to the Accessories Sales Agreement, the Mutual Supply Agreement and the Financial Services Agreement. Certain details of the transactions are summarized in the table below. The Company has complied with, and will continue to comply with, the relevant requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the continuing connected transactions, including, among other things, conducting annual review of the continuing connected transactions.

Unit: RMB'000

Connected person	Transaction	Type	Actual transaction amount 2014	Proposed annual caps 2014
Mr. Yu Jinkun (俞金坤) ("**Mr. Yu**") [1]	*Accessories Sales Agreement:*			
	Sales of accessories and parts by Mr. Yu and his associates[2] to the Group	Goods	893,153	900,000
	Sales of accessories and parts and provision of services by the Group to Mr. Yu and his associates	Goods and services	43,726	45,000
CNRG[3]	*Mutual Supply Agreement:*			
	Supply of products, raw material and services by the Group to CNRG Group[4]	Goods and services	104,355	350,000
	Supply of products, raw material and services by CNRG Group to the Group	Goods and services	178,560	230,000
CNRG	*Financial Services Agreement:*			
	Provision of financial services by CNR Financial to CNRG Group			
	(a) Maximum daily outstanding balance of deposits(inclusive of interests and fees) placed by CNRG Group with CNR Financial	Deposit taking and services	1,464,989	1,500,000
	(b) Maximum daily outstanding balance of loans granted by CNR Financial to CNRG Group	Loan provision	–	1,500,000

Notes:

(1) Mr. Yu is a director of CNR Changchun, a non-wholly owned subsidiary of the Company, and is thus a connected person of the Company under Rule 14A.07(1) of the Hong Kong Listing Rules.

(2) Mr. Yu is a director of KTK Group Co., Ltd.* (今創集團股份有限公司) ("**KTK Group**"), which designs, researches and manufactures rolling stock, accessories and parts. KTK Group is an associate of Mr. Yu by virtue of his 35.7% equity interest in it. Other associates of Mr. Yu include companies that manufacture machinery, equipment and core system and components of rolling stock. They are associates of Mr. Yu by virtue of the equity interest of Mr. Yu's son-in-law in these companies.

(3) CNRG is the controlling shareholder of the Company, and is thus a connected person of the Company under Rule 14A.07(1) of the Hong Kong Listing Rules.

(4) CNRG Group refers to CNRG and its subsidiaries (excluding the Group).

The Board has reviewed the continuing connected transactions as described above and confirmed that in 2014, such transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The auditors of the Company have confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions:

(i) nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Board;

(ii) nothing has come to their attention that causes the auditors to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(iii) nothing has come to their attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the Prospectus in respect of each of the disclosed continuing connected transactions.

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the Reporting Period are disclosed in note 37 to the financial statements. Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, the related parties transactions disclosed in note 37 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Hong Kong Listing Rules.

SUBSEQUENT EVENTS

Details of significant subsequent events of the Group are set out in note 36 to the financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules upon Listing.

Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date up to the end of the Reporting Period.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Hong Kong Listing Rules upon Listing. The Board is of the view that the Company has complied with all the code provisions as set out in the CG Code throughout the period from the Listing Date up to the end of the Reporting Period.

Further information on the corporate governance practices of the Company is set out in the Corporate Governance Report on pages 54 to 63 of this annual report.

AUDIT AND RISK MANAGEMENT COMMITTEE

As of the end of the Reporting Period, the Audit and Risk Management Committee of the Company comprises Mr. Sun Patrick (辛定華) (Chairman), an independent non-executive Director, Mr. Wan Jun (萬軍), a non-executive Director, and Mr. Zhang Zhong (張忠), an independent non-executive Director. One of the main duties of the Audit and Risk Management Committee is to review and monitor the financial reporting procedures and internal control system of the Group, and to provide recommendations and advice to the Board. The Audit and Risk Management Committee of the Company has reviewed the 2014 annual results of the Group.

AUDITORS

In 2014, the Company appointed KPMG and KPMG Huazhen (Special General Partnership) as the international and domestic auditors of the Company. In respect of the appointment of auditors in relation to financial report and internal control for 2015, due to the Merger between the Company and CSR and in view of the progress of the Merger, it is proposed that the external auditors for 2015 shall be appointed by the post-merger new company in accordance with relevant laws and regulations. The above resolution will be proposed at the forthcoming AGM of the Company.

On behalf of the Board
China CNR Corporation Limited
Cui Dianguo
Chairman

Beijing, People's Republic of China

30 March 2015

MATERIAL LITIGATION, ARBITRATION AND MATTERS GENERALLY CONCERNED BY THE MEDIA

The Company was not involved in any material litigation, arbitration or other matters generally concerned by the media during the Reporting Period.

BANKRUPTCY AND RESTRUCTURING

There was no event relating to bankruptcy and reorganization during the Reporting Period.

ASSET TRANSACTIONS AND CORPORATE MERGERS

Tangshan Railway Vehicle Co., Ltd.* (唐山軌道客車有限責任公司), a wholly-owned subsidiary of the Company, transferred its 25% equity interest in Tangshan Tang-Che Railway Transportation Equipment Co., Ltd.* (唐山唐車威奧軌道交通設備有限公司). For details, please refer to the relevant announcements published by the Company on the website of Shanghai Stock Exchange, and China Securities News, Shanghai Securities News, Securities Times and Securities Daily on 29 March 2014.

From 29 December to 30 December 2014, the Board and the Supervisory Committee considered and approved in the 37th meeting of the second session of the Board and the 24th meeting of the second meeting of the Supervisory Committee, respectively, the proposed Merger between China CNR and CSR, the proposed execution of the Merger Agreement with CSR, and the proposed Merger plan between China CNR and CSR. On 20 January 2015, the proposed merger report (draft) between China CNR and CSR and its summary was approved at the 38th meeting of the second session of the Board and the 25th meeting of the second session of the Supervisory Committee, and the relevant proposal was submitted to the general meeting for consideration and approval. On 9 March 2015, the proposed Merger was approved at the Company's 2015 first extraordinary general meeting, the 2015 first class meeting for holders of A Shares and the 2015 first class meeting for holders of H Shares. For further details, please refer to the relevant announcements dated 30 December 2014, 20 January 2015, 5 February 2015, 9 March 2015, 10 March 2015 and 17 March 2015 and the circular dated 20 January 2015 published by the Company and/or jointly published with CSR (as the case may be) on the websites of the Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company.

IMPLEMENTATION OF SHARE OPTION SCHEME OF THE COMPANY AND ITS EFFECTS

Details of the Share Option Scheme

In 2012, the Board and the general meeting of the Company approved and adopted the resolutions in relation to the Share Option Scheme and determined to grant 85,333,500 A Shares (representing 0.70% of the total share capital of the Company as at 31 December 2014) to a total of 340 employees (each a "**Participant**") of the Company, including directors and senior management of the Group as well as core technical officers and key management members who have direct influence on the overall performance and sustainable development of the Company.

The purposes of the Share Option Scheme are (i) to establish a mechanism which share interests and risks among the shareholders, management and core talents, and promote sustainable and healthy development of the Company; (ii) to attract, motivate and retain senior management and core talents of the Company to maximize value for the Company and the shareholders; and (iii) to establish a long-term incentive and restriction mechanism to realize profit distribution to human capital and optimize and improve remuneration and incentive system, which illustrate the performance-oriented incentive culture of the Company and enhance its competitiveness.

The Share Options were initially granted on 1 November 2012 at an exercise price of RMB4.34 per share (which was adjusted to RMB4.24 per share on 26 August 2013 and further adjusted to RMB4.04 per share on 29 August 2014. In case of any capitalization of capital reserve, payment of bonus shares, subdivision or consolidation of shares, dividend distribution, right issue or additional issue by the Company, an adjustment shall be made to the Share Options granted but not yet exercisable or those exercisable but not yet exercised, provided that no adjustment may be made to the effect that the exercise price would be less than the nominal value.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 85,333,500 A Shares of the Company. Unless otherwise approved in the Shareholders' general meeting, the total number of shares granted to any Participant under the Share Option Scheme or other effective share option schemes of the Company (if any) shall not exceed 1% of the total share capital of the Company at any time, and the cap amount of the Share Options granted to any Participant (including exercised, cancelled and outstanding Share Options) shall not exceed 1% of the total share capital of the Company in any period of 12 months.

The Share Options granted to the Participants of the Share Option Scheme shall become exercisable in three tranches in the percentage of 33%, 33% and 34% on the effective dates, which shall be the second anniversary, the third anniversary and the fourth anniversary from the grant date (each an "**Effective Date**"), respectively.

The validity period for all Share Options shall be from 1 November 2012 to 1 November 2019. The vesting period shall last for two years (i.e., the Share Options shall not be exercisable within two years from the grant date). The exercisable period refers to the period between the first Effective Date and the expiry date and shall not be more than five years. Therefore, the exercisable period is therefore from 1 November 2014 to 1 November 2019.

The Shareholders' general meeting may terminate the Share Option Scheme by special resolution. Upon termination of the Share Option Scheme by special resolution of the general meeting, the Company shall not grant any Share Option to any grantee pursuant to the Scheme. The outstanding shares granted to the grantees pursuant to the Share Option Scheme shall be restricted by the exercise and remain in force in accordance with the requirements of the Share Option Scheme.

For further details of the Share Option Scheme, please refer to the relevant announcements of the Company dated 24 May 2012 and 29 October 2012 published on the China Securities News, Shanghai Securities Times, Securities Times and Securities Daily and on the website of the Shanghai Stock Exchange and the Prospectus of the Company.

Share Options Granted to and Exercised by Directors and Senior Management during the Reporting Period

Name	Position	Number of outstanding options at the beginning of the Reporting Period	Number of options granted during the Reporting Period	Number of options exercised during the Reporting Period	Number of options cancelled and lapsed during the Reporting Period	Number of outstanding options at the end of the Reporting Period
Cui Dianguo (崔殿國)	Chairman of the Board and non-executive Director	420,000	–	–	138,600	281,400
Xi Guohua (奚國華)	President and executive Director	420,000	–	–	138,600	281,400
Zhao Guangxing (趙光興)	Vice president of the Company	357,000	–	–	117,810	239,190
Gao Zhi (高志)	Vice president and chief financial officer of the Company	357,000	–	–	117,810	239,190
Sun Yongcai (孫永才)	Vice president of the Company	357,000	–	–	117,810	239,190
Jia Shirui (賈世瑞)	Vice president of the Company	357,000	–	–	117,810	239,190
Wei Yan (魏岩)	Vice president of the Company	315,000	–	–	103,950	211,050
Yu Weiping (余衛平)	Vice president of the Company	315,000	–	–	103,950	211,050
Xie Jilong (謝紀龍)	Secretary to the Board of the Company	315,000	–	–	103,950	211,050
Wang Yongzhi (王勇智)	Chief engineer of the Company	315,000	–	–	103,950	211,050
Sub-total		3,528,000	–	–	1,164,240	2,363,760
Other connected persons		47,197,500	–	–	15,575,175	31,622,325
Other Participants		34,608,000	–	–	11,420,640	23,187,360
Total		85,333,500	–	–	28,160,055	57,173,445

Cancellation of the First Tranche of the Share Options under the Share Option Scheme

As disclosed in the announcement of the Company dated 3 November 2014, the first tranche of the Share Options would not become effective as the Company has not fulfilled the performance target in relation to its operating revenue growth rate for 2013 in accordance with the Share Option Scheme. Pursuant to the provisions of the Share Option Scheme, all of such Share Options shall lapse forthwith and shall be cancelled by the Company. Following completion of such cancellation, the number of the outstanding Share Options, which have been granted by the Company and have not been effective, has been adjusted from 85,333,500 to 57,173,445.

Termination of the Share Option Scheme

As disclosed in the joint announcement of the Company and CSR dated 30 December 2014, in order to ensure the smooth progress of the Merger of the Company and CSR, the Company intends to terminate the Share Option Scheme on the pre-condition that the Merger is completed having regard to the requirements of the Merger as well as the relevant provisions of the Share Option Scheme and the implementation thereof.

On 20 January 2015, the Board considered and approved the proposed termination of the Share Option Scheme subject to the completion of the Merger. Subject to approvals at the general meeting, the A Shareholders' class meeting and H Shareholders' class meeting of the Company, the Share Option Scheme will be terminated at the date of the completion of the Merger. Upon termination of the Share Option Scheme, the Share Options granted but not yet vested thereunder will be terminated and will not become effective and will be cancelled accordingly. On 9 March 2015, the proposed termination of the Share Option Scheme was approved at the Company's 2015 first extraordinary general meeting, the 2015 first class meeting for holders of A Shares and the 2015 first class meeting for holders of H Shares. Please see further details in relation to the approval of the termination of the Share Option Scheme in the announcements of the Company dated 20 January 2015 and 9 March 2015.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

(1) Trust, contracting and leasing arrangements

The Company did not enter into any trust, contracting or leasing arrangements during the Reporting Period.

(2) Guarantees

The Company did not provide guarantees to external parties (excluding those provided by the Company in favor of its subsidiaries).

Set out below are the guarantees provided by the Company in favor of its subsidiaries as at the end of the Reporting Period:

Unit: RMB'000

Total guarantee amount for its subsidiaries during the Reporting Period	16,292,832
Total guarantee amount for its subsidiaries at the end of Reporting Period	14,002,628
Aggregate guarantee amount provided by the Company (including the guarantees provided by the Company in favor of its subsidiaries):	
Total guarantee amount[(1)]	14,002,628
Percentage of total guarantee amount to total equity attributable to the equity shareholders of the Company (%)	28.70
Including:	
Amount of guarantees to shareholders, ultimate controllers and their related parties (A)	—
Amount of debt guarantees directly or indirectly provided in favor of parties with liability-to-asset ratio over 70% (B)	8,142,901
Total amount of guarantees provided which exceeded 50% of the net assets (C)	9,110,811
Total amount of the three above-stated guarantees (A+B+C)[(2)]	11,672,738

Notes:

(1) Total guarantee amount represents the sum of the aforesaid total guarantee balance at the end of the Reporting Period (excluding guarantees provided by the Group in favor its subsidiaries) and the total guarantee balance to the Company's subsidiaries at the end of the Reporting Period.

(2) Total amount of the three above-stated guarantees represents the sum of the aforesaid provision of guarantee to shareholders, ultimate controllers and their related parties, amount of debt guarantees directly or indirectly provided in favor of parties with liability-to-asset ratio over 70% and the total amount of guarantees provided which exceeded 50% of the net assets. In the event that two or three of the above scenarios arise concurrently from a single guarantee, it will be counted once only in the total amount.

(3) Other major contracts of transactions

During the Reporting Period, the Company entered into certain material sales contracts. For details, please see the relevant announcements dated 7 January 2014, 18 March 2014, 25 March 2014, 10 June 2014, 14 July 2014, 10 September 2014 and 20 October 2014 published on the website of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company, and China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily.

PERFORMANCE OF UNDERTAKINGS

(1) Non-competition undertakings made by the Company's controlling shareholder, CNRG[1]

To avoid any competition between the Company and CNRG, the controlling shareholder of the Company, the Company and CNRG entered into the "Non-Competition Agreement of China Northern Locomotive & Rolling Stock Industry (Group) Corporation and China CNR Corporation Limited" (the "**Original Agreement**") in September 2008 in relation to the businesses of the parties. In order to guarantee the successful completion of issue and Listing of the Company's H Shares, after the consideration and approval of the 26th meeting of the second session of the Board and 2013 annual general meeting of the Company, the Company and CNRG entered into "Non-Competition Agreement of China Northern Locomotive & Rolling Stock Industry (Group) Corporation and China CNR Corporation Limited" (the "**New Agreement**") in April 2014 effective from the issue and Listing of H Shares. For details, please refer to the relevant announcement dated 25 June 2014 which was published on the website of Shanghai Stock Exchange and the China Securities News, Shanghai Securities News, Securities Times and Securities Daily. The New Agreement became effective from the date which the H Shares of the Company on the Hong Kong Stock Exchange while the Original Agreement would lapse automatically on the effective date of the New Agreement.

According to the provisions of the Original Agreement and the New Agreement, the non-competition undertakings made by CNRG, the controlling shareholder of the Company, were as follows:

(a) CNRG and its controlling enterprises will not, and will use their best endeavour to procure their investees not to, directly or indirectly, engage or participate in or assist to engage or participate in any businesses or activities that compete or may compete with any existing and future core businesses of the Company or its controlling enterprises in any manner (including but not limited to investment, merger and acquisition, associated company, joint venture, contracting, lease operation, purchase of stocks of or investment in listed companies), whether solely or jointly with other parties in the PRC and overseas;

(b) CNRG and its controlling enterprises will not, and will use their best endeavour to procure their investees not to, support any other parties (other than the Company and its controlling enterprises) engage in any businesses or activities that compete or may compete with any existing and future core businesses of the Company or its controlling enterprises in any manner in the PRC or overseas;

(c) CNRG and its controlling enterprises will not, and will use their best endeavour to procure their investees not to, involve in any businesses or activities that compete or may compete with any existing and future core businesses of the Company or its controlling enterprises in any other manner;

(d) CNRG or its controlling enterprises shall immediately notify the Company in writing once any new business opportunity that constitutes or may constitute direct or indirect competition with any core businesses of the Company is identified, and shall use its best endeavour to offer the pre-emptive right of such business opportunity to the Company or its controlling enterprises on reasonable and fair terms and conditions. CNRG or its relevant controlling enterprises shall, under the same conditions, transfer the pre-emptive right of such new business opportunity to the Company or its relevant controlling enterprises. In addition, CNRG undertakes to use its best endeavour to procure its investees to comply with such undertaking;

(e) If CNRG intends to transfer, sell, lease, license or otherwise transfer or permit to use any of its existing businesses which directly or indirectly compete with any core businesses of the Company or any other future new businesses which directly or indirectly compete or may compete with any core businesses of the Company to a third party, CNRG or its controlling enterprises shall notify the Company in writing in advance and the Company has the right to decide whether to acquire the aforesaid competitive business or interests. Before the Company makes the decision, CNRG or its controlling enterprises shall not make any notifications to the third party in relation to its intention to transfer, sell, lease, or permit to use its competitive business or interests; and

(f) CNRG will actively improve, reorganize and properly operate its existing businesses and new competitive businesses which may be acquired in the future, with an aim to ultimately transfer its competitive businesses to the Company by granting preference and option and/or pre-emptive right and/or right of first refusal to the Company.

During the Reporting Period, CNRG has strictly complied with the Original Agreement and the New Agreement entered with the Company, and CNRG and its controlling enterprises and its investees have not intervened in, directly or indirectly, any businesses or activities that compete or may compete with the principal businesses conducted by the Company or its controlling enterprises at present and in the future.

Note (1): For the purpose of this paragraph, "controlling enterprises" refer to controlling enterprises in which the Company or CNRG (as the case may be) (1) holds or controls more than 50% of the issued share capital or is entitled to have more than 50% of voting right (if applicable), or (2) holds less than 50% of shareholding but the voting right attached to the shares held will be sufficient to have material influence on the resolutions at the shareholders' meeting or shareholders' general meeting; whereas "investees" refer to (1) other companies, enterprises, units or other entities (whether qualified as legal persons or not) in which the Company or CNRG (as the case may be) holds or controls more than 10% of the voting right at the shareholders' meeting, or (2) in the case of partnership, refer to the partnerships in which the Company or CNRG (as the case may be) is one of the partners, and the controlling enterprises of such companies, enterprises, units or entities.

(2) Undertakings on building ownership issues

Pursuant to the "Regulatory Guideline No. 4 in relation to the Undertakings and Performance of the Listed Company's Controller, Shareholder, Related Parties, Offerors and the Listed Company" issued by CSRC and the requirements in the relevant notices issued by the Beijing Office of the CSRC, the Company convened the 30th meeting of the second session of the Board on 24 June 2014 during which the Board considered and approved "The Resolution on the Change of Performance of Undertakings by Controlling Shareholder in relation to Buildings Without Building Ownership Certificates" and agreed to the change of performance of undertakings by the Company's controlling shareholder, CNRG, in relation to buildings without building ownership certificates. For details, please refer to the relevant announcements dated 24 June 2014 and 28 October 2014 published by the Company on the website of the Shanghai Stock Exchange and the China Securities News, Shanghai Securities News, Securities Times and Securities Daily as well as the Company's announcements dated 24 June 2014 and 28 October 2014 published on the websites of the Hong Kong Stock Exchange and the Company.

This matter constitutes a connected transaction under the Hong Kong Listing Rules and was approved by the general meeting of the Company held on 28 October 2014.

(3) Undertakings on the state-owned land use certificate without specifying the use term or termination date

The Company disclosed in the Prospectus that the term or termination date of the land use right was not specified in the state-owned land use certificate for part of the authorized land acquired by the Company. CNRG has undertaken to compensate for the loss caused to the relevant wholly-owned subsidiaries of the Company as a result of not specifying the term or termination date of the land use right in the state-owned land use certificate for the authorized land.

During the Reporting Period, CNRG has complied with the above undertakings made by it and the relevant wholly-owned subsidiaries of the Company have not incurred losses as a result of not specifying the term or termination date of the land use right in the state-owned land use certificate for the authorized land.

PUNISHMENT AND RECTIFICATION AGAINST THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS WITH MORE THAN 5% SHAREHOLDING AND ULTIMATE CONTROLLER AND OFFEROR

During the Reporting Period, none of the Company, its Directors, Supervisors, senior management members, Shareholder with more than 5% of shareholding in the Company, ultimate controller or offeror was subject to any investigation, administrative punishment or criticism by CSRC or any condemnation by any stock exchanges.

OTHER SIGNIFICANT EVENTS

1. Issuance of super short-term inter-bank corporate bonds, short-term inter-bank corporate bonds and medium-term notes

During the Reporting Period, the Company successfully issued nine tranches of super short-term inter-bank corporate bonds with an aggregate amount of RMB17.00 billion on 24 January 2014, 27 January 2014, 19 February 2014, 24 April 2014, 16 May 2014, 28 July 2014, 6 August 2014, 15 August 2014 and 22 August 2014; successfully issued two tranches of short-term inter-bank corporate bonds with an aggregate amount of RMB6.00 billion on 21 February 2014 and 26 March 2014; and successfully issued two tranches of medium-term notes with an aggregate amount of RMB4.00 billion on 24 February 2014 and 17 March 2014.

2. Successful Listing of H Shares on the Main Board of the Hong Kong Stock Exchange

On 22 May 2014, upon approval by the Hong Kong Stock Exchange, 1,821,200,000 overseas listed foreign shares (H Shares) issued by the Company and 182,120,000 H Shares converted from state-owned shares (A Shares) by the Company's shareholder of state-owned shares, Beijing CNR Investment, to NSSF, totaling 2,003,320,000 H Shares, were listed on the Main Board of the Hong Kong Stock Exchange and dealing in such H Shares commenced. H Shares are abbreviated as "中國北車" (Chinese) and "CHINA CNR" (English). The stock code for the H Shares is "6199".

On 18 June 2014, upon approval by the Hong Kong Stock Exchange, 118,524,000 overseas listed foreign shares (H Shares) issued by the Company pursuant to the partial exercise of the over-allotment option and 11,852,400 H Shares converted from state-owned shares (A Shares) by the Company's shareholder of state-owned shares, Beijing CNR Investment, to NSSF, totaling 130,376,400 H Shares, were listed on the Main Board of the Hong Kong Stock Exchange and dealing in such H Shares commenced.

For details, please refer to the relevant announcements published by the Company on the website of the Shanghai Stock Exchange and the designated disclosure newspapers on 23 May 2014 and 19 June 2014. Please also refer to the Prospectus and the Company's announcements dated 21 May 2014 and 16 June 2014 published on the websites of the Company and the Hong Kong Stock Exchange for further details.

CHANGES IN SHARE CAPITAL

On 22 May 2014, upon approval by the Hong Kong Stock Exchange, 1,821,200,000 overseas listed foreign shares (H Shares) issued by the Company and 182,120,000 H Shares converted from state-owned shares (A Shares) by the Company's shareholder of state-owned shares, Beijing CNR Investment, to NSSF, totaling 2,003,320,000 H Shares, were listed on the Main Board of the Hong Kong Stock Exchange and began trading.

On 18 June 2014, upon approval by the Hong Kong Stock Exchange, 118,524,000 overseas listed foreign shares (H Shares) issued by the Company pursuant to the partial exercise of the over-allotment option and 11,852,400 H Shares converted from state-owned shares (A Shares) by the Company's shareholder of state-owned shares, Beijing CNR Investment, to NSSF, totaling 130,376,400 H Shares, were listed on the Main Board of the Hong Kong Stock Exchange and began trading. Thus, the total share capital of the Company changed from 10,320,056,303 Shares to 12,259,780,303 Shares.

For details, please refer to the relevant announcements published by the Company on the website of the Shanghai Stock Exchange and the designated disclosure newspapers on 23 May 2014 and 19 June 2014. Please also refer to the Prospectus and the Company's announcements dated 21 May 2014 and 16 June 2014 published on the websites of the Company and the Hong Kong Stock Exchange for further details.

The following table sets out the changes in the share capital of the Company during the Reporting Period:

	As at the beginning of the Reporting Period		Increase(+)/Decrease(-) during the Reporting Period			As at the end of the Reporting Period	
	Quantity	Percentage (%)	Issuance of new shares	Others	Sub-total	Quantity	Percentage (%)
I. Shares subject to trading moratorium	8,606,000	0.083	0	-8,606,000	-8,606,000	0	0
1. Shares held by legal persons	8,606,000	0.083	0	-8,606,000	-8,606,000	0	0
II. Shares not subject to trading moratorium	10,311,450,303	99.917	+1,939,724,000	+8,606,000	+1,948,330,000	12,259,780,303	100
1. Ordinary shares	10,311,450,303	99.917	0	-185,366,400	-185,366,400	10,126,083,903	82.596
2. Overseas listed foreign shares	0	0	+1,939,724,000	+193,972,400	+2,133,696,400	2,133,696,400	17.404
III. Total number of Shares	10,320,056,303	100	+1,939,724,000	0	+1,939,724,000	12,259,780,303	100

NUMBER OF SHAREHOLDERS AND THEIR SHAREHOLDINGS

(1) Total number of Shareholders of the Company as at the end of the Reporting Period

As at the end of the Reporting Period, the Company had 247,674 Shareholders of A Shares and 547 registered Shareholders of H Shares.

(2) Shareholding of the top ten Shareholders of the Company

Unit: Share(s)

Name of Shareholder (Full name)	Increase/ decrease during the Reporting Period	Number of Shares held as at the end of the Reporting Period	Percentage (%)	Number of Shares subject to trading moratorium	Pledged or frozen Status of Shares	Pledged or frozen Number of Shares	Nature of Shareholder
CNRG	0	6,354,547,154	51.83	0	None	0	State-owned legal person
HKSCC NOMINEES LIMITED[Note]	2,131,953,400	2,131,953,400	17.39	0	Unknown	Unknown	Overseas legal person
Beijing CNR Investment	-193,972,400	345,610,920	2.82	0	None	0	State-owned legal person
Account No. 3 of the National Council for Social Security Fund of the PRC (全國社會保障基金理事會轉持三戶)	0	309,393,275	2.52	0	Unknown	Unknown	State-owned legal person
China Construction Bank – Great Wall Brand Selective Stock Investment Fund (中國建設銀行－長城品牌優選股票型證券投資基金)	-19,228,048	127,000,000	1.04	0	Unknown	Unknown	Unknown
Central Bank of Malaysia (馬來西亞國家銀行)	31,110,656	48,881,592	0.40	0	Unknown	Unknown	Unknown
China Construction Bank – Yinhua Core Value Selected Equity Fund (中國建設銀行-銀華核心價值優選股票型證券投資基金)	37,199,746	37,199,746	0.30	0	Unknown	Unknown	Unknown
Bank of Communications – E Fund 50 Index Securities Investment Fund (交通銀行－易方達50指數證券投資基金)	2,490,000	25,314,880	0.21	0	Unknown	Unknown	Unknown
ICBC – China Southern Component Selected Equity Securities Investment Fund (中國工商銀行－南方成份精選股票型證券投資基金	6,635,164	24,729,165	0.20	0	Unknown	Unknown	Unknown
Abu Dhabi Investment Authority (阿布達比投資局)	18,254,434	24,254,617	0.20	0	Unknown	Unknown	Unknown

Note: HKSCC NOMINEES LIMITED held the Company's H Shares on behalf of certain shareholders of the Company.

(3) Shareholding of the top ten Shareholders of the Company not subject to trading moratorium

Name of Shareholder	Number of Shares held not subject to trading moratorium	Type and number of Shares: Type	Type and number of Shares: Number
CNRG	6,354,547,154	RMB ordinary shares	6,354,547,154
HKSCC NOMINEES LIMITED[Note]	2,131,953,400	Overseas listed foreign shares	2,131,953,400
Beijing CNR Investment	345,610,920	RMB ordinary shares	345,610,920
Account No. 3 of the National Council for Social Security Fund of the PRC (全國社會保障基金理事會轉持三戶)	309,393,275	RMB ordinary shares	309,393,275
China Construction Bank — Great Wall Brand Selective Stock Investment Fund (中國建設銀行－長城品牌優選股票型證券投資基金)	127,000,000	RMB ordinary shares	127,000,000
Central Bank of Malaysia (馬來西亞國家銀行)	48,881,592	RMB ordinary shares	48,881,592
China Construction Bank — Yinhua Core Value Selected Equity Fund (中國建設銀行－銀華核心價值優選股票型證券投資基金)	37,199,746	RMB ordinary shares	37,199,746
Bank of Communications – E Fund 50 Index Securities Investment Fund (交通銀行－易方達50指數證券投資基金)	25,314,880	RMB ordinary shares	25,314,880
ICBC – China Southern Component Selected Equity Securities Investment Fund (中國工商銀行－南方成份精選股票型證券投資基金)	24,729,165	RMB ordinary shares	24,729,165
Abu Dhabi Investment Authority (阿布達比投資局)	24,254,617	RMB ordinary shares	24,254,617

Connections or parties acting in concert among the aforesaid shareholders	CNRG is the controlling shareholder of the Company. Beijing CNR Investment is a wholly-owned subsidiary and party acting in concert of the controlling shareholder of the Company. Save for the above, the Company is not aware of other connections among the shareholders above, nor aware of any parties acting in concert.

Note: HKSCC NOMINEES LIMITED held the Company's H Shares on behalf of certain shareholders of the Company.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, so far as is known to the Directors and Supervisors, the persons or entities, other than the Directors, Supervisors or chief executive of the Company, who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Nature of interest	Class of Shares	Number of Shares[1]	Approximate percentage of Shares in the relevant class of Shares
CNRG	Beneficial owner	A Shares	6,700,158,074(L)	66.17%
NSSF	Beneficial owner	H Shares	191,895,400(L)	8.99%
UBS AG	Beneficial owner	H Shares	31,412,210(L)	1.47%
			9,245,500(S)	0.43%
	Person having a security interest in shares	H Shares	148,212,500(L)	6.94%
	Interest of corporate controlled by the substantial shareholder	H Shares	2,931,500(L)	0.14%
UBS Group AG	Person having a security interest in shares	H Shares	148,212,500(L)	6.94%
	Interest of corporate controlled by the substantial shareholder	H Shares	34,343,710(L)	1.61%
			9,245,500(S)	0.43%
Pine River Capital Management LP	Investment manager	H Shares	156,092,000(L)	7.32%
Pine River Capital Management LLC	Interest of corporate controlled by the substantial shareholder	H Shares	156,092,000(L)[2]	7.32%
Taylor Brian Curtis	Interest of corporate controlled by the substantial shareholder	H Shares	156,092,000(L)[3]	7.32%
Credit Suisse Group AG	Interest of corporate controlled by the substantial shareholder	H Shares	146,107,088(L)	6.85%
			115,377,367(S)	5.41%
Templeton Investment Counsel, LLC	Investment manager	H Shares	108,426,000(L)	5.08%

Notes:

(1) (L) – Long position; (S) – Short position

(2) Pine River Capital Management LLC is deemed to be interested, through Pine River Capital Management LP and Pine River Capital Management (HK) Limited, in 156,092,000 H Shares.

(3) Taylor Brian Curtis is deemed to be interested, through Pine River Capital Management LLC, Pine River Capital Management LP and Pine River Capital Management (HK) Limited, in 156,092,000 H Shares.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the following Directors had interests in the Shares of the Company:

Long positions in the Shares, underlying shares and debentures of the Company

Name	Nature of interest	Class of Shares	Number of Shares(1)	Approximate percentage of Shares in the relevant class of Shares
Cui Dianguo (崔殿國)	Beneficial owner	A Shares	406,400(L)	0.00%
Xi Guohua (奚國華)	Beneficial owner	A Shares	406,400(L)	0.00%

Note:

(1) (L) – Long position; (S) – Short position

Save as disclosed above, as at 31 December 2014, none of the Directors, Supervisors and chief executive of the Company and their respective associates had interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which should be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE REPORT

The Board hereby presents to the Shareholders the corporate governance report of the Group for the period ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

As a dual-listed company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company has remained in strict compliance with the Articles of Association, relevant laws and regulations in the PRC and Shanghai Listing Rules during the Reporting Period. Since the Listing of the Company's H Shares on the Main Board of the Hong Kong Stock Exchange on 22 May 2014, the Company has also complied with the Hong Kong Listing Rules. The Company has established modern and effective corporate governance structure and endeavored to continuously improve its internal control and corporate governance mechanism.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Hong Kong Listing Rules upon Listing. The Board is of the view that the Company has complied with all the code provisions as set out in the CG Code throughout the period from the Listing Date up to the end of the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules upon Listing.

Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date up to the end of the Reporting Period.

BOARD OF DIRECTORS

As at the end of the Reporting Period, the Board consisted of seven members, including one executive Director, two non-executive Directors and four independent non-executive Directors.

The composition of the Board is as follows:

Executive Director

Mr. Xi Guohua (奚國華) *(President)*

Non-executive Directors

Mr. Cui Dianguo (崔殿國) *(Chairman)*
Mr. Wan Jun (萬軍)

Independent Non-executive Directors

Mr. Li Fenghua (李豐華)
Mr. Zhang Zhong (張忠)
Ms. Shao Ying (邵瑛)
Mr. Sun Patrick (辛定華)

The members of the Board do not have any relationship with each other, including financial, business, family or other material/ relevant relationship. Biographical information of the Directors are set out on pages 64 to 68 of this annual report.

Chairman of the Board and President of the Company

To ensure the balanced distribution of power and to enhance independence and accountability, the positions of chairman of the Board and president of the Company (equivalent to the chief executive officer referred to in the CG Code) are held by Mr. Cui Dianguo (崔殿國) and Mr. Xi Guohua (奚國華), respectively.

The chairman of the Board is in charge of the Board and is responsible for the effective functioning and leadership of the Board. The president leads the Company's management and day-to-day operations and is accountable to the Board. Their respective responsibilities are clearly defined and set out in writing in the Articles of Association.

Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive Directors represent over one-third of the Board.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment, Removal and Re-election of Directors

All Directors shall have a term of office of three years and shall be entitled to be re-appointed when the term of office expires provided that the term of office of independent non-executive Directors shall not exceed six years. The Company has entered into a service contract with each executive Director and a letter of appointment with each non-executive Director and independent non-executive Director for a term of three years. The appointment and removal of Directors shall be approved by Shareholders at the general meeting.

Responsibilities, Accountabilities and Contributions of the Board and the Management

The responsibilities of the Board and the management of the Company have been clearly defined in the Articles of Association.

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors shall take decisions objectively in the interests of the Company.

The Board shall exercise its functions and powers in accordance with the Articles of Association, including but not limited to, (i) convening general meetings and reporting its work to the general meeting; (ii) implementing the resolutions of the general meeting; (iii) deciding on the business plans, investment plans and annual financing plans of the Company; (iv) formulating the Company's annual financial budges, final accounts, profit distribution plans and plans for making up losses; (v) drafting plans for the Company's material acquisitions, acquisitions of shares, merger, division or dissolution, and changes in the corporate form of the Company; (vi) deciding on the Company's investments in third parties, purchase and sale of assets, asset mortgages, provision of security for third parties, entrusted wealth management and loan services and connected transactions to the extent authorized by the general meeting; (vii) appointing and dismissing of the Company's president, secretary to the Board and senior management; (viii) formulating the basic management system of the Company; (ix) formulating proposals for amendments of the Articles of Association; and (x) formulating and implementing the share incentive scheme of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective operation. All Directors have full and timely access to all the information of the Company as well as the services and advice from the joint company secretaries and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company. The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The management of the Company, under the leadership of the president of the Company, is responsible for implementing the resolutions of the Board and administering the Company's business plans, investment plans and annual financing plans. The management of the Company shall report to the Board in a timely manner to enable the Board to make informed decisions in the overall interest of the Company.

Continuous Professional Development of Directors

All Directors have participated in continuous professional development program during the Reporting Period in order to refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant and to ensure that they fully understand their responsibilities, duties and obligations as directors of a dual-listed company.

According to the records maintained by the Company, as at 31 December 2014, all Directors received training in compliance with the code provisions relating to continuous professional development under the CG Code and their training records for the year ended 31 December 2014 are set out as follows:

	Type of Training	Hour(s) of Training
Executive Director		
Mr. Xi Guohua (奚國華)	A	3
Non-executive Directors		
Mr. Cui Dianguo (崔殿國)	A	3
Mr. Wan Jun (萬軍)	A	3
Independent Non-executive Directors		
Mr. Li Fenghua (李豐華)	A, B	19
Mr. Zhang Zhong (張忠)	A	3
Ms. Shao Ying (邵瑛)	A	3
Mr. Sun Patrick (辛定華)	A	3

A: Directors' training in relation to Hong Kong Listing Rules and other directors' duties
B: Further training for independent directors

BOARD COMMITTEES

The Board delegates certain responsibilities to various dedicated committees. In accordance with relevant PRC laws, regulations, the Articles of Association and the Hong Kong Listing Rules, the Company has established four board committees, namely the Strategy Committee, the Audit and Risk Management Committee, the Nomination Committee and the Remuneration and Appraisal Committee.

Strategy Committee

The Strategy Committee of the Company consists of five Directors, namely Mr. Cui Dianguo (崔殿國) (an non-executive Director), Mr. Xi Guohua (奚國華) (an executive Director), Mr. Wan Jun (萬軍) (a non-executive Director), Mr. Zhang Zhong (張忠) (an independent non-executive Director) and Ms. Shao Ying (邵瑛) (an independent non-executive Director). Mr. Cui Dianguo (崔殿國) currently serves as the chairman of the committee. The primary functions of the Strategy Committee are to carry out studies on the long-term development strategy and major investment of the Company and make recommendations to the Board.

During the Reporting Period, the Strategy Committee of the Company held six meetings for, including but not limited to:

- reviewing and making recommendation on the long-term development strategies and major investment decisions of the Company;
- reviewing and advising on the major investment and financing plans that require approval of the Board;
- reviewing and advising on the major capital investment and asset operation projects that require approval of the Board; and
- reviewing and making recommendation on other material matters that may affect the development of the Company.

The written terms of reference of the Strategy Committee are made available on the websites of the Company and the Hong Kong Stock Exchange.

Audit and Risk Management Committee

The Audit and Risk Management Committee of the Company consists of three Directors, namely Mr. Sun Patrick (辛定華) (an independent non-executive Director), Mr. Wan Jun (萬軍) (a non-executive Director) and Mr. Zhang Zhong (張忠) (an independent non-executive Director). Mr. Sun Patrick (辛定華) currently serves as the chairman of the committee. The main duties of the Audit and Risk Management Committee are to supervise, review and evaluate the financial information and internal audit of the Company in accordance with the Articles of Association, and to review and refine the internal control system of the Company, identify the connected parties of the Company and review the connected transactions of the Company.

During the Reporting Period, the Audit and Risk Management Committee of the Company held six meetings for, including but not limited to:

- supervising the drafting and implementation of the internal audit system of the Company, making recommendations on the appointment or dismissal of the accounting firm and coordinating between the internal and external audit;
- overseeing the completeness of financial statements and annual reports and accounts, interim reports and quarterly reports of the Company;
- approving the connected transactions or the filing of the connected transactions;
- reviewing the financial and internal monitoring system as well as the risk management system;
- reviewing the financial and accounting policies and practices of the Company; and
- maintaining the communication between the internal audit department and the external audit firm.

The written terms of reference of the Audit and Risk Management Committee are made available on the websites of the Company and the Hong Kong Stock Exchange.

Nomination Committee

The Nomination Committee of the Company consists of five Directors, namely Mr. Zhang Zhong (張忠) (an independent non-executive Director), Mr. Cui Dianguo (崔殿國) (a non-executive Director), Mr. Xi Guohua (奚國華) (an executive Director), Mr. Li Fenghua (李豐華) (an independent non-executive Director) and Ms. Shao Ying (邵瑛) (an independent non-executive Director). Mr. Zhang Zhong (張忠) currently serves as the chairman of the committee. The main duties of the Nomination Committee are to review the selection procedures and criteria and qualification of Directors and senior management of the Company and make recommendations to the Board.

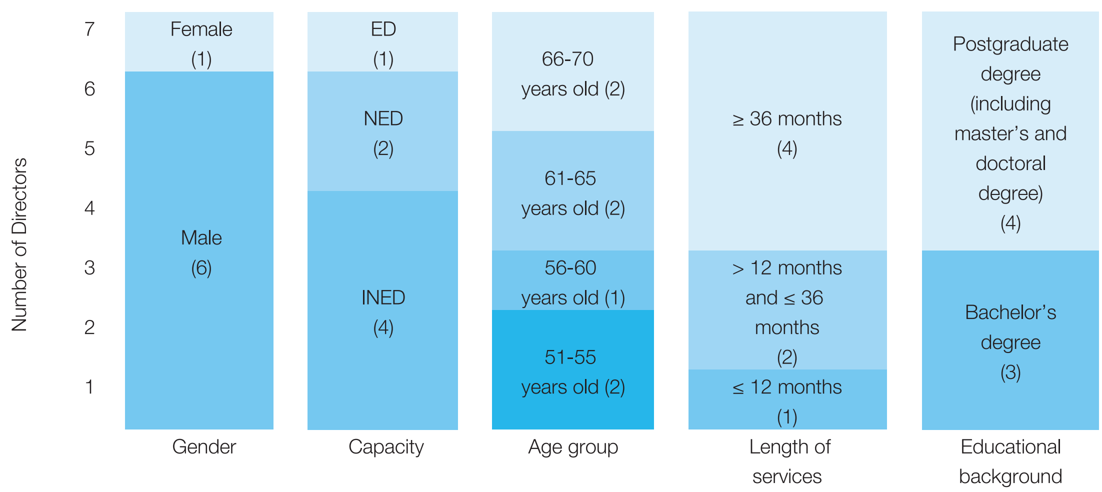
During the Reporting Period, the Nomination Committee of the Company held three meetings for, including but not limited to:

- determining the selection standard and procedures to appoint Directors, president and other senior management;
- evaluating the independence of the independent Directors;
- evaluating the composition, number of Directors and formation of the Board; and
- assessing the candidates of Directors, president and other senior management and making recommendation.

The written terms of reference of the Nomination Committee are made available on the websites of the Company and the Hong Kong Stock Exchange.

The Company is committed to provide equal opportunities in different aspects of its operations, and has adopted a diversity policy of the Board. When reviewing the size and composition of the board of directors and searching for, and recommending candidates for directors, the Nomination Committee shall, taking into account the business model and specific needs of the Company, consider diversity of the board of directors in various aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The final appointment recommendation shall be made to the board of directors by the Committee based on merit and contribution that the selected candidates will bring to the board of directors after taking into account the relevant aspects mentioned above. The Nomination Committee shall also consider the diversity policy of the Board when performing its relevant duties, and is responsible for monitoring the implementation of the policy, and shall review and amend the policy, as appropriate, to ensure its effectiveness.

An analysis of the Board's diversity as at the end of the Reporting Period is set out as follows:



Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee of the Company consists of three Directors, namely Mr. Li Fenghua (李豐華), Ms. Shao Ying (邵瑛) and Mr. Sun Patrick (辛定華) (an independent non-executive Director). Mr. Li Fenghua (李豐華) currently serves as the chairman of the committee. The main duties of the Remuneration and Appraisal Committee are to formulate the appraisal criteria of, conduct the appraisal with, the Directors and senior management of the Company, and to formulate and review remuneration policies and plans regarding Directors and senior management of the Company.

During the Reporting Period, the Remuneration and Appraisal Committee of the Company held three meetings for, including but not limited to:

- determining the assessment standards for the Directors, president and other senior management for assessment and advising on the establishment of the proper and transparent procedures to formulate the remuneration policy;
- reviewing and examining the remuneration policies and plans of the Directors, president and other senior management, and making recommendations to the Board on the remuneration packages of individual executive Director and Senior Management;
- overseeing the implementation of remuneration system of the Company; and
- taking into account of the salaries paid by comparable companies, time commitment and responsibilities, employment conditions of other positions in the Group.

The written terms of reference of the Remuneration Committee are made available on the websites of the Company and the Hong Kong Stock Exchange.

Corporate Governance Responsibilities

The Board is responsible for performing the functions as set out in code provision D.3.1 of the CG Code to ensure that the Company has established comprehensive corporate governance practices and procedures. During the Reporting Period, the Board has:

- established and reviewed the corporate governance policies and practices of the Company as well as made relevant recommendations;
- reviewed and monitored the training and continuous development of the directors and senior management;
- reviewed and monitored the policies and practices of the Company regarding the compliance of relevant legal and regulatory requirements;
- established, reviewed and monitored the code of conduct for directors and employees; and
- reviewed as to whether the Company has complied with the CG Code and made disclosures in the Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings of the Company held for the year ended 31 December 2014 is set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Strategy Committee	Audit and Risk Management Committee	Nomination Committee	Remuneration and Appraisal Committee	Annual General Meeting(1)
Executive Director						
Mr. Xi Guohua (奚國華)	14/15	5/6(M)	—	1/3(M)	—	1/1
Non-executive Directors						
Mr. Cui Dianguo (崔殿國)	15/15	6/6(C)	—	3/3(M)	—	1/1
Mr. Wan Jun (萬軍)	14/15	6/6(M)	6/6(M)	—	—	0/1
Independent Non-executive Directors						
Mr. Li Fenghua (李豐華)	14/15	—	—	3/3(M)	3/3(C)	1/1
Mr. Zhang Zhong (張忠)	15/15	6/6(M)	6/6(M)	3/3(C)	—	1/1
Ms. Shao Ying (邵瑛)	15/15	6/6(M)	—	3/3(M)	3/3(M)	1/1
Mr. Sun Patrick (辛定華)	14/15	—	6/6(C)	—	3/3(M)	1/1

Notes:

(1) The 2013 annual general meeting of the Company was held on 20 May 2014.

(2) (C) – Chairman of the committee; (M) – Committee member

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2014.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 69 to 70 of this annual report.

AUDITORS' REMUNERATION

During the year ended 31 December 2014, the Company appointed KPMG and KPMG Huazhen (Special General Partnership) as the international and domestic auditors of the Company and the fees for annual report audit services amounted to RMB17.15 million, of which the fees for audit of financial statements amounted to RMB15.30 million and the fees for internal control audit amounted to RMB1.85 million. Other than the above, the Company has not appointed KPMG and KPMG Huazhen (Special General Partnership) for other material non-audit services.

INTERNAL CONTROL

The Company has established comprehensive risk management and internal control systems through which financial, operational, compliance and legal risks that the Group is exposed to in its business activities are properly monitored, evaluated and managed. In addition, the Company has adopted a number of internal rules and policies governing the conduct of its employees, and has set up a monitoring department at each of the Company's headquarters and subsidiaries to closely monitor and report corruption or other misconduct that the employees may have.

During the Reporting Period, the Company's Audit and Risk Management Committee, acting on behalf of the Board, has conducted a review of the effectiveness of the internal control system of the Group and considered the internal control system to be effective and adequate.

JOINT COMPANIES SECRETARIES

Mr. Xie Jilong (謝紀龍), the secretary to the Board and one of the Company's joint company secretaries, is responsible for advising on the Board on corporate governance matters and in charge of the preparation and documentation for general meetings and Board meetings of the Company.

In order to uphold good corporate governance and to ensure compliance with the Hong Kong Listing Rules, the Company has appointed Ms. Kwong Yin Ping Yvonne (鄺燕萍), a vice president of a specialty corporate services provider and a member of the Institute of Chartered Secretaries, as a joint company secretary to assist Mr. Xie Jilong (謝紀龍) in discharging his duties and responsibilities as company secretary of the Company. The primary contact person of Ms. Kwong Yin Ping (鄺燕萍) is Mr. Xie Jilong (謝紀龍).

RIGHTS OF SHAREHOLDERS

(1) Shareholder's requests to convene an extraordinary general meeting

Pursuant to Article 70 of the Articles of Association, Shareholders requesting to convene an extraordinary general meeting shall follow the following procedures:

(i) A Shareholder alone or Shareholders together holding 10% or more of the Company's Shares shall have the right to make a request to the Board in writing to convene an extraordinary general meeting. The Board shall, in accordance with laws, administrative regulations and this Articles of Association, give a written response on whether or not it agrees to convene such a meeting within ten days after receipt of the request.

(ii) If the Board agrees to convene an extraordinary general meeting, it shall issue a notice convening such meeting within five days after it has so resolved. The consent of the relevant Shareholder(s) shall be secured if any change is to be made in the notice to the original request.

(iii) If the Board does not agree to convene such meeting, or fails to give a response within 10 days after receipt of the request, the Shareholder alone or Shareholders together holding 10% or more of the Shares shall have the right to propose to the supervisory committee in writing to convene the extraordinary general meeting.

(iv) If the supervisory committee agrees to convene the extraordinary general meeting, it shall issue a notice convening such meeting within five days after receipt of the request. The consent of the relevant Shareholder(s) shall be secured if any change is to be made in the notice to the original request.

(v) If the supervisory committee fails to issue a notice convening the general meeting by the prescribed deadline, it shall be deemed to have failed to convene and preside over such meeting, and a Shareholder who alone has held or Shareholders who together have held 10% or more of the Shares of the Company for at least 90 days in succession may himself/themselves convene and preside over such meeting.

(vi) Any reasonable costs incurred by the Shareholders who independently convene and hold an extraordinary general meeting due to failure of the Board and the supervisory committee to hold such meeting shall be borne by the Company and made out of the sums owed by the Company to the delinquent Directors.

Pursuant to Article 71 of the Articles of Association, Shareholders requesting to convene a class meeting shall follow the following procedures:

(i) two or more Shareholders holding in the aggregate 10% or more of the Shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting that the Board to convene a Shareholders' class meeting and stating the subject to be discussed at the meeting. The Board shall convene the Shareholders' class meeting as soon as possible after having received the aforementioned written request. The shareholding referred to above shall be calculated as of the day on which the written request is made;

(ii) If the Board fails to issue a notice to convene such meeting within thirty days after having received the aforementioned written request, the Shareholders who made such request may independently convene the meeting within four months after the Board has received the request. The procedures to convene such meeting shall, to the extent possible, be identical to the procedure according to which Shareholders' meetings are to be convened by the Board.

(iii) Any reasonable costs incurred by the Shareholders who independently convene and hold a meeting due to failure of the Board to hold such meeting shall be borne by the Company and made out of the sums owed by the Company to the delinquent Directors.

(2) Proposals at the general meetings

Pursuant to Article 76 of the Articles of Association, Shareholders individually or jointly holding an aggregate of 3% or more of the Company's Shares with voting rights are entitled to submit proposals in writing to the Company. In addition, Shareholders individually or jointly holding 3% or more of the Company's Shares may submit ad hoc proposals to the convener of a general meeting in writing ten days prior to the general meeting. The convener shall issue a supplementary notice of the general meeting and announce the content of such ad hoc proposals within two days after receipt thereof.

(3) Putting forward enquiries to the Board

Shareholders may put forward enquiries to the Company in writing, and may send their enquiries or requests as mentioned above to the Company by means of facsimile, email or post. The details of contact are as follows:

Secretary to the Board's office of China CNR Corporation
Address: No. 15, First Area, Fangcheng Park, Fengtai District, Beijing, PRC
Fax: +86 (10) 62508380
Email: ir@chinacnr.com

ARTICLES OF ASSOCIATION

Following the issue and allotment of H Shares, the Company published its amended Articles of Association on 22 May 2014 and 18 June 2014, respectively. An updated version of the Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board recognizes that it is accountable to its stakeholders and considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

To promote effective communication, the Company has established a shareholder communication policy and maintains a website at **www.chinacnr.com**, where information and updates on the Company's business developments and operation, financial information, corporate governance practices and other information are available for public access.

DIRECTORS

Mr. Cui Dianguo (崔殿國), aged 61, joined the Company and was appointed as the chairman of the Board and a non-executive director of the Company in June 2008, and has been the general manager of CNRG since September 2000. Mr. Cui has over 30 years of experience in the rolling stock manufacturing industry. Mr. Cui's major work experience includes being a deputy director and director in Dalian Locomotive Research Institute, director, deputy general manager and chief engineer in China National Railway Locomotive & Rolling Stock Industry Corporation. Prior to becoming the general manager of CNRG, he served as the vice chairman of the board of directors of CNRG from September 2000 to June 2002. He was granted the title of professor-level senior engineer by CNRG in September 2005. Mr. Cui obtained a bachelor's degree in engineering from Xi'an Jiaotong University in March 1982 and a master's degree in business administration from Dongbei University of Finance and Economics, located in Dalian, in March 1999.

Mr. Xi Guohua (奚國華), aged 51, was appointed as an executive director and the president of the Company in June 2008. Mr. Xi joined the Company in June 2008 and has over 25 years of experience in the rolling stock manufacturing industry. Mr. Xi's major work experience includes being a deputy director and director in Zhuzhou Electric Locomotive Research Institute, and a deputy general manager and chief engineer of CNRG. He was granted the title of professor-level senior engineer by CSRG in December 2001. Mr. Xi obtained a bachelor's degree in engineering from Shanghai Institute of Railway in July 1985, a master's degree in engineering from Changsha Railway University in June 1997 and a doctoral degree from Central South University, located in Changsha, in engineering in December 2007. Mr. Xi was awarded the 5th Tien-yow Jeme Railway Science and Technology Talent Award and received special allowance from the State Council. He is a member of the expert team of the modern transportation technology of the national "863" program.

Mr. Wan Jun (萬軍), aged 51, joined the Company and was appointed as the employee representative Director, non-executive Director of the Company in December 2013. He has over 25 years of experience in administration and corporate management. He was granted the title of senior administrative officer in 2014 by CNRG. Mr. Wan's major work experience includes being an assistant administrative officer of deputy bureau level, deputy director and inspector and deputy director in the Secretary Bureau I of the State Council General Office. Mr. Wan obtained a bachelor's degree in political education from Qinghai Normal University, located in Xining, in July 1984.

Mr. Li Fenghua (李豐華), aged 65, joined the Company and was appointed as an independent non-executive director of the Company in February 2012. Mr. Li's major work experience includes being a deputy general manager of China Southern Air Holding Company, and a deputy general manager, general manager and chairman of the board of directors of China Eastern Air Holding Company. He is also currently serving as an external director to Commercial Aircraft Corporation of China, Limited. He was granted the qualification of National First Class Pilot in December 1998 by the Senior Professional Technician Assessment Committee of Civil Aviation Administration of China. Mr. Li graduated from part-time postgraduate class in economic administration organized by the open college of the Party School of the Central Committee of the Communist Party of China, located in Beijing, PRC in July 2006.

Mr. Zhang Zhong (張忠), aged 68, joined the Company and was appointed as an independent non-executive director of the Company in June 2008. Mr. Zhang's major work experience includes being a director of Factory 333, chief economist and deputy general manager of China North Industries Group Corporation. He is currently serving as an external director of China Poly Group Corporation. He was granted the title of professor-level senior engineer in December 2005 by China North Industries Group Corporation. Mr. Zhang graduated from the Harbin Engineering College in August 1969.

Ms. Shao Ying (邵瑛), aged 68, joined the Company and was appointed as an independent non-executive director of the Company in June 2008. Ms. Shao's major work experience includes being a director in the Supervisory Bureau of the Ministry of Supervision in State Administration of Machinery Industry, inspector of bureau level in the Supervisory Bureau of the Ministry of Supervision in State Economic and Trade Commission, and inspector of bureau level in the Supervisory Bureau of the SASAC. Ms. Shao has served as the vice president of the China Foundry Association since September 2010. She graduated from Beijing Normal University majoring in school education in July 1970.

Mr. Sun Patrick (辛定華), aged 56, joined the Company and was appointed as an independent non-executive director of the Company in February 2012. Mr. Sun's major work experience includes being the group executive director and head of investment banking department at Jardine Fleming Holdings Limited, senior country officer in Hong Kong and head of investment banking for Hong Kong at J.P. Morgan, executive director at Sunwah Kingsway Capital Holdings Limited (which is listed on the Hong Kong Stock Exchange (stock code: 188)), independent non-executive director at The Link Real Estate Investment Trust (which is listed on the Hong Kong Stock Exchange (stock code: 823)), executive director and president at Value Convergence Holdings Limited (which is listed on the Hong Kong Stock Exchange (stock code: 821)), and non-executive director at Renhe Commercial Holdings Company Limited (which is listed on the Hong Kong Stock Exchange (stock code: 1387)). He was an independent non-executive director of China Railway Group Limited (which is listed on the Hong Kong Stock Exchange (stock code: 390) and the SSE (stock code: 601390)). He is currently an independent non-executive director and chairman at Solomon Systech (International) Limited (which is listed on the Hong Kong Stock Exchange (stock code: 2878)), and independent non-executive director at each of China Railway Construction Corporation Limited (which is listed on the Hong Kong Stock Exchange (stock code: 1186) and the SSE (stock code: 601186)), Trinity Limited (which is listed on the Hong Kong Stock Exchange (stock code: 891)), China NT Pharma Group Company Limited (which is listed on the Hong Kong Stock Exchange (stock code: 1011)), Sihuan Pharmaceutical Holdings Group Limited (which is listed on the Hong Kong Stock Exchange (stock code: 460)). Mr. Sun was certified as a Fellow of the Hong Kong Institute of Certified Public Accountants in November 2009 and as a Fellow of the Association of Chartered Certified Accountants in April 1992. Mr. Sun was the vice chairman of the Listing Committee of the Hong Kong Stock Exchange from December 1996 to December 2002 and a member of the SFC Takeovers and Mergers Panel from April 1999 to March 2001, and is currently the chairman of the Chamber of Hong Kong Listed Companies. He obtained a bachelor's degree in economics from the Wharton School of the University of Pennsylvania in May 1981 and completed the Stanford Executive Program of the Stanford Graduate School of Business in 2000.

SUPERVISORS

Mr. Chen Fangping (陳方平), aged 54, was appointed as the chairman and an employee representative supervisor of the supervisory committee of the Company in June 2012 and joined the Company and was appointed as a supervisor in June 2008. Mr. Chen's major work experience includes being the head of human resources department at each of China National Railway Locomotive & Rolling Stock Industry Corporation and CNRG. He is currently serving as an employee representative supervisor and the chairman of the supervisory committee of CNRG. He was granted the title of senior political engineer by the MOR in December 1996. Mr. Chen obtained a bachelor's degree in engineering from Southwest Jiaotong University in August 1984.

Mr. Zhu Sanhua (朱三華), aged 52, joined the Company and was appointed as a supervisor of the Company in June 2008. Mr. Zhu's major work experience includes being the deputy head of accounting department, head of accounting department and assistant to the chief accountant at CNRG. He is presently serving as a director at CNR Logistics (a wholly-owned subsidiary of the Company), and a supervisor at each of CNR Import & Export Corp., Ltd., CNR Leasing and CNR Southern Co., Ltd. (all of which are wholly-owned subsidiaries of the Company), Beijing CNR Investment (a wholly-owned subsidiary of CNRG), and Tianjin Locomotive Co., Limited. He was granted the title of senior accountant by the former MOR in September 1994. Mr. Zhu obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics in July 1982.

Mr. Liu Zhi (劉智), aged 44, has been a supervisor of the Company since October 2010. He joined the Company in July 2008 and is currently serving as the head of the labour union office of the Company. Mr. Liu was granted the title of senior engineer by CNRG in September 2005. Mr. Liu is also currently serving as head of the labour union office at CNRG. He obtained a bachelor's degree in engineering from Dalian Railway Institute in July 1992 and a master's degree in business administration from Beijing Jiaotong University in April 2005.

SENIOR MANAGEMENT

Mr. Xi Guohua (奚國華) is an executive director and the president of the Company and his biography is set out above.

Mr. Zhao Guangxing (趙光興), aged 56, joined the Company and was appointed as the vice president of the Company in June 2008, and has over 30 years of experience in rolling stock industry. Mr. Zhao's major work experience includes being the secretary of the division level at the Office of MOR, a director and assistant to general manager at China National Railway Locomotive & Rolling Stock Industry Corporation, a director and deputy general manager at CNRG, the chairman of the board of directors at each of CNR Logistics and CNR Leasing (wholly-owned subsidiaries of the Company). He was granted the title of professor-level senior engineer by CNRG in December 2010. Mr. Zhao obtained a bachelor's degree in engineering from Dalian Railway Institute in July 1983 and a master's degree in business administration from The University of Texas at Arlington through a sino-foreign cooperation project jointly organized by University of Science and Technology Beijing and The University of Texas in the United States in December 2010.

Mr. Gao Zhi (高志), aged 50, joined the Company and was appointed as the chief financial officer of the Company in June 2008 and was appointed as the vice president of the Company in August 2008. Mr. Gao previously worked as the chief accountant at Changchun Passenger Coaches Factory, chief financial officer, secretary to the board of directors and deputy general manager at CNR Changchun (a non-wholly-owned subsidiary of the Company), and a deputy chief accountant and chief accountant at CNRG. He is presently serving as a director at Dao He Xin Da Asset Investment and Management Company Limited. He has over 25 years of experience in financial field and was granted the title of professor-level senior accountant by CNRG in December 2010. Mr. Gao obtained a bachelor's degree in economics from Northern Jiaotong University (now known as Beijing Jiaotong University), located in Beijing, in July 1987.

Mr. Sun Yongcai (孫永才), aged 50, was appointed as the vice president of the Company in December 2010. He joined the Company in December 2008 and has over 25 years of experience in rolling stock industry. Mr. Sun's major work experience includes being a deputy plant director at Dalian Locomotive and Rolling Stock Factory, a director, deputy general manager and vice chairman of the board of directors at CNR Dalian Locomotive & Rolling Stock Co., Ltd. (a wholly-owned subsidiary of the Company), and the vice chairman of the board of directors and deputy general manager at Dalian Dali Railway Transportation Equipment Company Limited. He was granted the title of professor-level senior engineer by CNRG in November 2009. Mr. Sun obtained a bachelor's degree in engineering from Dalian Railway Institute in July 1987 and a doctoral degree in engineering from Dalian Jiaotong University in June 2011.

Mr. Jia Shirui (賈世瑞), aged 51, joined the Company and was appointed as a vice president of the Company in May 2012. He has over 25 years of experience in rolling stock industry and was granted the title of professor-level senior engineer by CNRG in October 2007. Mr. Jia's major work experience includes being a vice plant director at Taiyuan Locomotive and Rolling Stock Factory, a plant director at Jinan Locomotive and Rolling Stock Factory, and the chairman of the board of directors and general manager at Jinan Railway Vehicle Equipment Co., Ltd. (a wholly-owned subsidiary of the Company). Mr. Jia obtained a bachelor's degree in engineering from Shanghai Institute of Railway in July 1986 and a master's degree in engineering from Beijing Jiaotong University in November 2003.

Mr. Wei Yan (魏岩), aged 51, joined the Company and was appointed as a vice president of the Company in November 2013. He has over 25 years of experience in rolling stock industry and was granted the title of professor-level senior engineer by CNRG in December 2011. Mr. Wei was the general manager of the freight wagon business department of the Company and an assistant to the president of the Company. His major work experience includes being a deputy general manager, director, general manager and chairman of the board of directors at Qiqihar Railway Rolling Stock (Group) Co., Limited, the chairman of the board of directors and general manager at Qiqihar Railway Rolling Stock Co., Ltd. (a wholly-owned subsidiary of the Company), and an executive director and general manager at CNR Qiqihar Rolling Stock Co., Ltd. (a wholly-owned subsidiary of the Company). Mr. Wei obtained a bachelor's degree in engineering from Southwest Jiaotong University, located in Chengdu, in July 1985 and graduated from part-time postgraduate class in economic administration organized by the open college of the Party School of the Central Committee of the Communist Party of China in July 2002.

Mr. Yu Weiping (余衛平), aged 49, joined the Company and was appointed as the vice president of the Company in November 2013. Mr. Yu has over 25 years of experience in rolling stock industry and was granted the title of professor-level senior engineer by CNRG in December 2010. Mr. Yu's major work experience includes being a deputy general manager at CNR Changchun (a non-wholly-owned subsidiary of the Company), and the chairman of the board of directors and general manager at Tangshan Railway Vehicle Co., Ltd. (a wholly-owned subsidiary of the Company). He is currently serving as the chairman of the board of directors at each of CNR Leasing and CNR Logistics (wholly-owned subsidiaries of the Company), and a director at CNR MA (a non-wholly-owned subsidiary of the Company). Mr. Yu obtained a bachelor's degree in engineering from Dalian Railway Institute in July 1985, a master's degree in management from Jilin University, located in Changchun, in June 2000 and a doctoral degree in economics from Jilin University in December 2008.

Mr. Xie Jilong (謝紀龍), aged 48, joined the Company and was appointed as the Secretary to the Board in August 2008. He has over 20 years of experience in management and was granted the title of professor-level senior economist by CNRG in December 2012. Mr. Xie's major work experience includes being a chief accountant, plant director and deputy plant director at Changchun Locomotive Factory, a director and general manager at Changchun Locomotive and Rolling Stock Company Limited, and the vice chairman of the board of directors at Tianjin JL Railway Transportation Equipment Co., Ltd. (a wholly-owned subsidiary of the Company). He is also presently serving as a director at CNR Financial Corp., Ltd. (a non-wholly-owned subsidiary of the Company). Mr. Xie obtained a bachelor's degree in arts from Suzhou Railway Teachers College in July 1988 and a degree in accounting from Beijing Jiaotong University, located in Beijing, in March 2000.

Mr. Wang Yongzhi (王勇智), aged 51, was appointed as the chief engineer of the Company in April 2011. He joined the Company in March 2009. He has over 25 years of experience in rolling stock industry and was granted the title of professor-level senior engineer by CNRG in September 2002. Mr. Wang's major work experience includes being the deputy head of locomotives department, head of locomotives department, head of research and development department, deputy chief engineer at CNRG, deputy plant director at Yongji Electrical Machine Plant, the vice chairman of the board of directors and deputy general manager at Yongji Xinshisu Electric Equipment Co., Ltd. (a wholly-owned subsidiary of the Company), and a director at Shanghai CNR Yongdian Electronic Technology Company Limited. He is presently serving as the chairman of the board of directors at Shanghai CNR Yongdian Electronic Technology Company Limited. Mr. Wang obtained a bachelor's degree in engineering from Southwest Jiaotong University in July 1984 and a master's degree in engineering from Northern Jiaotong University, located in Beijing, in March 1994.

JOINT COMPANY SECRETARIES

Mr. Xie Jilong (謝紀龍), the Secretary to the Board, is also one of the Joint Company Secretaries of the Company, and his biography is set out above.

Ms. Kwong Yin Ping Yvonne (鄺燕萍) is a vice president of a specialty corporate services provider focusing on the provision of listing company secretarial and compliance services. She obtained a degree in accountancy from the Hong Kong Polytechnic University and is a fellow of The Hong Kong Institute of Chartered Secretaries and a fellow of The Institute of Chartered Secretaries and Administrators. Ms. Kwong has extensive experience in providing company secretarial and compliance services to numerous private and public companies. She is currently the named company secretary or joint company secretary of several companies listed on the Hong Kong Stock Exchange.

KPMG

Independent auditor's report to the shareholders of China CNR Corporation Limited
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China CNR Corporation Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 71 to 177, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Revenue	3	103,881,616	96,756,070
Cost of sales		(84,624,259)	(80,103,393)
Gross profit		19,257,357	16,652,677
Other revenue	4	523,531	583,771
Other net loss	4	(172,170)	(230,650)
Selling and distribution expenses		(2,025,402)	(2,018,084)
Administrative expenses		(9,771,866)	(8,783,823)
Profit from operations		7,811,450	6,203,891
Finance costs	5(a)	(1,584,598)	(1,395,424)
Share of profits less losses of associates		132,029	110,651
Share of profits less losses of joint ventures		252,327	180,013
Profit before taxation	5	6,611,208	5,099,131
Income tax	6	(921,247)	(873,128)
Profit for the year		5,689,961	4,226,003
Attributable to:			
Equity shareholders of the Company		5,492,351	4,128,559
Non-controlling interests		197,610	97,444
Profit for the year		5,689,961	4,226,003
Earnings per share	10		
Basic (RMB)	10(a)	0.48	0.40
Diluted (RMB)	10(b)	0.48	0.40

The notes on pages 81 to 177 form part of these financial statements. Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 33(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Profit for the year		5,689,961	4,226,003
Other comprehensive income for the year (after tax and reclassification adjustments)	9		
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liabilities	28(b)	(169,286)	14,900
		(169,286)	14,900
Items that maybe reclassified subsequently to profit or loss:			
Available-for-sale investments: net movement in the fair value reserve		6,116	4,135
Exchange differences on translation of financial statements of overseas subsidiaries		1,114	(98)
		7,230	4,037
Others comprehensive income for the year		(162,056)	18,937
Total comprehensive income for the year		5,527,905	4,244,940
Attributable to:			
Equity shareholders of the Company		5,331,054	4,147,871
Non-controlling interests		196,851	97,069
Total comprehensive income for the year		5,527,905	4,244,940

The notes on pages 81 to 177 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	31 December 2014 RMB'000	31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment	11	29,996,205	27,997,062
Lease prepayments	12	10,245,643	9,966,563
Goodwill	13	13,557	13,557
Intangible assets	14	767,698	639,805
Interest in associates	16	1,051,370	1,040,052
Interest in joint ventures	17	1,147,438	944,177
Deferred tax assets	30(b)	774,521	451,337
Other non-current assets	18	7,663,363	8,376,952
Total non-current assets		51,659,795	49,429,505
Current assets			
Inventories	20	28,965,494	18,636,790
Trade and bills receivables	21	28,003,870	31,922,635
Prepayments, deposits and other receivables	22	9,857,420	10,828,672
Income tax recoverable	30(a)	81,497	9,269
Restricted deposits	23	2,516,916	1,084,981
Banks deposits with original maturities over three months		6,307,220	1,132,657
Cash and cash equivalents	24	21,760,068	7,114,408
Total current assets		97,492,485	70,729,412
Current liabilities			
Interest-bearing loans and borrowings	25(b)	24,199,339	20,609,153
Trade and bills payables	26	43,187,599	36,026,256
Other payables and accruals	27	19,501,160	16,063,130
Defined benefit obligations	28	221,074	247,518
Income tax payable	30(a)	580,202	521,657
Provision for warranties	31	641,517	535,900
Total current liabilities		88,330,891	74,003,614
Net current assets/(liabilities)		9,161,594	(3,274,202)
Total assets less current liabilities		60,821,389	46,155,303

The notes on pages 81 to 177 form part of these financial statements.

	Note	31 December 2014 RMB'000	31 December 2013 RMB'000
Non-current liabilities			
Interest-bearing loans and borrowings	25(a)	**4,933,521**	1,415,277
Defined benefit obligations	28	**2,159,078**	2,131,239
Deferred tax liabilities	30(b)	**336**	1,183
Other non-current liabilities	32	**3,078,747**	3,041,969
Total non-current liabilities		**10,171,682**	6,589,668
NET ASSETS		**50,649,707**	39,565,635
CAPITAL AND RESERVES			
Share capital	33(c)	**12,259,780**	10,320,056
Reserves		**36,534,337**	27,460,286
Total equity attributable to the equity shareholders of the Company		**48,794,117**	37,780,342
Non-controlling interests		**1,855,590**	1,785,293
TOTAL EQUITY		**50,649,707**	39,565,635

Approved and authorised for issue by the board of directors on 30 March 2015.

Cui Dianguo
Director

Xi Guohua
Director

The notes on pages 81 to 177 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	31 December 2014 RMB'000	31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment		32,178	36,423
Intangible assets		55,883	46,580
Investments in subsidiaries	15	32,084,410	29,541,690
Interest in associates		420,780	452,449
Deferred tax assets		25,257	3,913
Other non-current assets	18	9,504,010	15,762,428
Total non-current assets		42,122,518	45,843,483
Current assets			
Trade and bills receivables		10,378	1,001,871
Prepayments, deposits and other receivables	22	12,852,765	10,131,440
Income tax recoverable		14,418	—
Cash and cash equivalents	24	15,736,213	286,922
Banks deposits with original maturities over three months		1,835,700	—
Total current assets		30,449,474	11,420,233
Current liabilities			
Interest-bearing loans and borrowings	25(b)	29,215,872	23,029,169
Trade and bills payables		10,184	1,110,763
Other payables and accruals	27	974,399	513,040
Income tax payable		—	32,541
Total current liabilities		30,200,455	24,685,513

The notes on pages 81 to 177 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	31 December 2014 RMB'000	31 December 2013 RMB'000
Net current assets/(liabilities)		249,019	(13,265,280)
Total assets less current liabilities		42,371,537	32,578,203
Non-current liabilities			
Interest-bearing loans and borrowings	25(a)	4,141,564	490,000
Other non-current liabilities		2,705	4,319
Total non-current liabilities		4,144,269	494,319
NET ASSETS		38,227,268	32,083,884
CAPITAL AND RESERVES	33		
Share capital	33(c)	12,259,780	10,320,056
Reserves		25,967,488	21,763,828
TOTAL EQUITY		38,227,268	32,083,884

Approved and authorised for issue by the board of directors on 30 March 2015.

Cui Dianguo
Director

Xi Guohua
Director

The notes on pages 81 to 177 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Note	Share capital RMB'000 note 33(c)	Capital reserve RMB'000 note 33(d) (i), (ii)	Fair value reserve RMB'000	PRC statutory reserve RMB'000 note 33(d) (iii)	Retained profits RMB'000	Exchange reserve RMB'000 note 33(d) (iv)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company								
Balance 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 for 2013:										
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		–	(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		–	–	–	–	–	–	–	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 paid in respect of the previous 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 notes on pages 81 to 177 form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Note	Attributable to equity shareholders of the Company								
		Share capital RMB'000 note 33(c)	Capital reserve RMB'000 note 33(d) (i), (ii)	Fair value reserve RMB'000	PRC statutory reserve RMB'000 note 33(d) (iii)	Retained profits RMB'000	Exchange reserve RMB'000 note 33(d) (iv)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014		10,320,056	15,457,841	18,046	652,116	11,332,381	(98)	37,780,342	1,785,293	39,565,635
Changes in equity for 2014:										
Profit for the year		–	–	–	–	5,492,351	–	5,492,351	197,610	5,689,961
Other comprehensive income		–	(168,196)	6,116	–	–	783	(161,297)	(759)	(162,056)
Total comprehensive income for the year		–	(168,196)	6,116	–	5,492,351	783	5,331,054	196,851	5,527,905
Issuance of shares upon public offering, net of issuing expenses	33(c)	1,939,724	5,790,358	–	–	–	–	7,730,082	–	7,730,082
Acquisition of non-controlling interests without change in control		–	(35)	–	3,456	(3,456)	–	(35)	(110,598)	(110,633)
Capital contributions from non-controlling equity owners		–	12,284	–	–	–	–	12,284	51,836	64,120
Equity settled share–based transaction		–	(3,918)	–	–	–	–	(3,918)	(27)	(3,945)
Appropriation of reserve		–	–	–	48,126	(48,165)	–	(39)	(103)	(142)
Disposal of subsidiary		–	–	–	–	–	–	–	(12,252)	(12,252)
Dividends paid by subsidiaries to non-controlling equity owners		–	–	–	–	–	–	–	(55,410)	(55,410)
Dividends paid in respect of the previous year	33(b)	–	–	–	–	(2,064,011)	–	(2,064,011)	–	(2,064,011)
Change of capital reserve in associate		–	8,358	–	–	–	–	8,358	–	8,358
Balance at 31 December 2014		12,259,780	21,096,692	24,162	703,698	14,709,100	685	48,794,117	1,855,590	50,649,707

The notes on pages 81 to 177 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Cash generated from operations	24(b)	16,021,819	5,658,191
PRC income tax paid		(1,265,376)	(771,408)
Net cash generated from operating activities		14,756,443	4,886,783
Investing activities			
Payments for purchase of property, plant and equipment, lease prepayments and intangible assets		(4,752,284)	(5,326,842)
Acquisition of subsidiary		—	(3,708)
Payments for acquisition of associates and joint venture		(32,996)	(25,010)
Payment for settlement of financial assets		—	(467)
Dividends received		30,649	46,954
Proceeds from disposal of property, plant and equipment, lease prepayments and intangible assets		37,088	49,119
Proceeds from disposal of financial instruments		1,621	12,908
Proceeds from disposal of interest of associates and joint venture		37,500	129
Proceeds from disposal of subsidiary		6,773	—
Withdrawal of bank deposits with original maturities over three months		3,502,894	935,574
Government grants received		66,833	219,650
Payment for purchase of financial assets		—	(11,321)
Increase of bank deposits with original maturities over three months		(8,841,826)	(1,612,962)
Net cash used in investing activities		(9,943,748)	(5,715,976)

The notes on pages 81 to 177 form part of these financial statements.

	Note	2014 RMB'000	2013 RMB'000
Financing activities			
Payments for acquisition of subsidiaries under common control		(47,092)	(85,093)
Acquisition of non-controlling interests without change in control		(110,633)	(6,289)
Proceeds from issuance of short-term inter-bank corporate bonds and medium term notes		26,922,500	15,968,568
Repayment of short-term inter-bank corporate bonds		(15,953,400)	(19,957,118)
Proceeds from bank loans and borrowings		78,045,147	69,546,851
Repayment of bank loan and borrowings		(83,447,458)	(63,691,943)
Capital contributions from non-controlling equity owners of subsidiaries		64,120	91,988
Proceeds from issuance of shares		7,822,281	—
Payments of dividends		(2,086,202)	(1,087,540)
Payment of interest expenses		(1,274,416)	(1,195,016)
Payment of issuing expenses		(59,050)	—
Net cash generated from/(used in) financing activities		9,875,797	(415,592)
Net increase/(decrease) in cash and cash equivalents		14,688,492	(1,244,785)
Cash and cash equivalents at 1 January		7,114,408	8,379,753
Effect of foreign exchange rate changes		(42,832)	(20,560)
Cash and cash equivalents at 31 December	24(a)	21,760,068	7,114,408

The notes on pages 81 to 177 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), with collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and Interpretations issued by the International Accounting Standards Board (IASB). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable provisions if the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as "the Group") is set out below.

The IASB has issued certain new and revised IFRS that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

As stated in note 36 of the financial statements, the plan for an equal merger between the Company and China CSR Corporation Limited ("CSR") was approved by the general shareholders' meetings, extraordinary A shareholders' class meeting and H shareholders' class meeting held by the Company on 9 March 2015. Under the merger plan, CSR will merge the Company by way of absorption and share-exchange to form a new company. The Post-Merger New Company will hold all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR and the company. Based on the principle of substance over form, the proposed business combination of the Company and CSR will be the involving entities under the common control of the state due to industry restructuring, thus the assets and liabilities of the Group will be transferred to the new company at their carrying value in future. For this reason, despite the fact that the Company will not continue in form, the Company's businesses, assets and liabilities will, in substance, be transferred to the new company on a going concern basis. As such, the Company continued to prepare these financial statements on a going concern basis.

The consolidated financial statements for the year ended 31 December 2014 comprise the Group and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements 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 or as trading securities (see note 1(h)); and

– derivative financial instruments (see note 1(i)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended IFRSs are discussed below:

Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. These amendments have no impact on the Group.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group does not have hedge accounting and the related derivative designated as a hedging instrument.

IFRIC 21, *Levies*

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

(d) 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 consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

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

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity 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(s) or (t) depending on the nature of the liability.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests *(continued)*

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(h)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

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

(e) 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 consolidated financial statements 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(f) and (o)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statements of profit or loss and other comprehensive income.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates and joint ventures *(continued)*

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(h)).

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

(f) 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(o)).

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 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) 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 reporting 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 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) 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(o)).

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 these are recognized in accordance with the policies set out in note 1(y)(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 (o)). 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(y)(v) and 1(y)(vi), respectively.

When the investments are derecognised or impaired (see note 1(o)), 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.

(i) 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(j)).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognized in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognized immediately in profit or loss.

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

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

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

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

(k) Investment property

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Property, plant and equipment

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

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(aa)).

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.

(m) 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(aa)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(o)). 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(o)). 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

Both the period and method of amortisation are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets is included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(l). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(o). 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 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) 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(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(o)(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(o)(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Impairment of assets *(continued)*

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

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

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Impairment of assets *(continued)*

(ii) Impairment of other assets

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

– property, plant and equipment;

– investment property;

– lease prepayments;

– goodwill;

– intangible assets; and

– investments in subsidiaries, associates and joint ventures.

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal 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 (if measurable) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) 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.

(q) 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(y)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognized as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognized as an expense in the period in which they are incurred.

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) 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(o)), 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Employee benefits *(continued)*

(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Employee benefits *(continued)*

(iv) Share-based payments

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

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

(w) Income tax

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Income tax *(continued)*

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognized at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognized at the higher of the amount initially recognized, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(x)(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(x)(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.

(y) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Revenue recognition *(continued)*

(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(y)(iii)).

(iii) Construction contract revenue

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

– 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Revenue recognition *(continued)*

(vi) Dividends

- Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

(vii) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(z) 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(j)).

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) 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.

(bb) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(cc) Segment reporting

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

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

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

For the year ended 31 December 2014, the Group's operating revenues derived from outside the People's Republic of China ("the PRC") were RMB 5,555.45 million (2013: RMB 7,576.23 million). At 31 December 2014, the balances of non-current assets, which were based on the physical location of the assets located outside the PRC, were amounting to RMB 4.69 million (at 31 December 2013: RMB 1.04 million).

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 statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those polices and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. 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:

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(continued)*

(a) Impairment losses for bad and doubtful debts

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

(b) Impairment losses of non-current assets

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

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

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

(d) Recognition of deferred tax assets

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

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(continued)*

(e) Warranty provisions

As explained in note 1(x)(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(q) and 1(y)(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 notes 1(k), 1(l) and 1(m), investment property, property, plant and equipment and intangible assets are depreciated and amortized on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

3 REVENUE

The Group is principally engaged in manufacturing, sales and refurbishment of locomotives, passenger coaches, freight wagons, multiple units 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 and interest income. The amount of each significant category of revenue recognized during the year is as follows:

	2014 RMB'000	2013 RMB'000
Revenue from goods and services	103,751,617	96,617,055
Interest income	129,999	139,015
	103,881,616	96,756,070

3 REVENUE *(continued)*

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.

	2014 RMB'000	2013 RMB'000
Domestic revenue	98,326,162	89,179,841
Overseas revenue	5,555,454	7,576,229
	103,881,616	96,756,070

4 OTHER REVENUE AND OTHER NET LOSS

	2014 RMB'000	2013 RMB'000
Other revenue		
Interest income	186,378	179,268
Dividend income	4,112	5,693
Government grants	333,041	398,810
	523,531	583,771
Other net loss		
Net gain on sale of derivative financial instruments	1,021	6,330
Net foreign exchange loss	(60,168)	(53,842)
Net gain/(loss) on disposal of property, plant and equipment	2,350	(10,614)
Net gain on disposal of associates	17,224	—
Provision of onerous contracts	(153,153)	(73,105)
Other gain/(loss)	20,556	(99,419)
	(172,170)	(230,650)

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2014 RMB'000	2013 RMB'000
Interest cost recognized in respect of defined benefit obligations (note 28(b))	105,734	89,753
Interest expense on bank advances and borrowings	1,976,578	1,610,366
Less: interest expense capitalised into property, plant and equipment	497,714	304,695
	1,584,598	1,395,424

The borrowing costs have been capitalised at rates of 6.15% - 6.88% and 5.07%-6.46% for the years ended 31 December 2014 and 2013 respectively.

(b) Staff costs

	2014 RMB'000	2013 RMB'000
Salaries, wages and other benefits	8,827,966	7,743,498
Contributions to defined contribution retirement plans	1,222,999	1,114,048
Expenses recognized in respect of defined benefit obligations (note 28(c))	102,451	200,140
Equity-settled share-based transaction (income)/expenses (note 29)	(3,945)	33,202
	10,149,471	9,090,888

5 PROFIT BEFORE TAXATION *(continued)*

(c) Other items

	2014 RMB'000	2013 RMB'000
Amortisation		
– lease prepayments	204,664	171,664
– intangible assets	114,786	74,271
	319,450	245,935
Depreciation		
– property, plant and equipment	2,133,336	1,955,306
Impairment losses		
– trade and bills receivables	953,053	656,077
– prepayments, deposits and other receivables	226,575	295,872
– property, plant and equipment	333	1,246
– other non-current assets	48	37,568
– inventory	148,142	148,260
	1,328,151	1,139,023
Research and development costs (note)	3,189,558	2,790,296
Provision for warranty	694,060	516,099
Auditors' remuneration	17,150	15,500
Operating lease charges	177,370	135,169
Cost of goods (note)	84,119,498	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:

	2014 RMB'000	2013 RMB'000
Corporate income tax (note 30(a))		
Provision for the year	1,249,992	1,031,384
(Over)/under-provision in respect of prior years	(3,725)	6,838
	1,246,267	1,038,222
Deferred taxation (note 30(b))		
Origination and reversal of temporary differences	(325,811)	(165,094)
Effect on deferred tax balances at 1 January resulting from a change in income tax rate	791	—
	(325,020)	(165,094)
	921,247	873,128

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

The Group

	2014 RMB'000	2013 RMB'000
Profit before taxation	6,611,208	5,099,131
Notional tax on profit before taxation at PRC statutory tax rate	1,652,802	1,274,783
Effect of PRC tax concessions	(636,940)	(434,314)
(Over)/under-provision in respect of prior years	(3,725)	6,838
Effect of non-deductible costs and expenses	46,595	99,291
Effect of using prior year tax losses not recognized	(34,125)	(54,167)
Income tax effect of temporary differences or tax losses not recognized for this year	259,675	243,579
Effect research and development expense deduction	(243,683)	(232,376)
Effect in respect of share of profits less losses of associates and joint ventures	(96,089)	(72,666)
Others	(23,263)	42,160
Actual income tax expense	921,247	873,128

6 INCOME TAX *(continued)*

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

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 subsidiaries in the PRC are generally subject to income tax at the statutory rate of 25%, unless otherwise specified.

CNR (Hong Kong) Corporation Limited is located in Hong Kong and is entitled to Hong Kong Profits Tax at 16.5%.

CNR (Czech) Science and Technology Development Corporation Limited is located in Czech Republic and is entitled to income tax at the statutory rate of 19%.

CNR MA Corporation is located in Massachusetts in the United States of America ("the USA") and is entitled to Federal corporate income tax and Massachusetts state corporate income tax with progressive rate of 35% and 8% respectively.

CNR Rolling Stock South Africa Proprietary Limited is located in the Republic of South Africa and is entitled to income tax at the statutory rate of 28%.

7 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Director's remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014						
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Equity-settled share-based transaction (note) RMB'000	Total RMB'000
Executive director							
Xi Guohua	–	298	624	90	1,012	(190)	822
Non-executive directors							
Cui Dianguo	–	298	624	90	1,012	(190)	822
Wan Jun	–	265	45	88	398	–	398
Independent non-executive directors							
Li Fenghua	79	–	–	–	79	–	79
Zhang Zhong	156	–	–	–	156	–	156
Shao Ying	77	–	–	–	77		77
Sun Patrick	143	–	–	–	143	–	143
Supervisors							
Chen Fangping	–	481	250	79	810	–	810
Zhu Sanhua	–	445	220	72	737	–	737
Liu Zhi	–	402	211	66	679	–	679
	455	2,189	1,974	485	5,103	(380)	4,723

7 DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(continued)*

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

During the reporting 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 reporting period.

Note:

These represent the estimated value of share options granted to the directors under the company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(v)(iv) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in note 29.

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 2014 and 2013 are set forth below:

	2014 Number of individuals	2013 Number of individuals
Directors or Supervisors	—	—
Non-directors and Non-supervisors	5	5
	5	5

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

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	1,411	1,630
Discretionary bonuses	3,943	5,308
Retirement scheme contributions	539	238
Share-based payments	(684)	596
	5,209	7,772

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

	2014 Number of individuals	2013 Number of individuals
HKD nil to HKD1,000,000	—	—
HKD1,000,001 to HKD1,500,000	5	—
HKD1,500,001 to HKD2,000,000	—	3
HKD2,000,001 to HKD2,500,000	—	2

During the reporting 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

	2014			2013		
	Before tax amount RMB'000	Tax expense RMB'000	Net-of tax amount RMB'000	Before tax amount RMB'000	Tax expense RMB'000	Net-of tax amount RMB'000
Remeasurement of net defined benefit liabilities	(169,286)	—	(169,286)	14,900	—	14,900
Exchange differences on translation of financial statements of overseas subsidiaries	1,114	—	1,114	(98)	—	(98)
Available-for-sale investments: net movement in fair value reserve	7,105	(989)	6,116	5,160	(1,025)	4,135
Other comprehensive income	(161,067)	(989)	(162,056)	19,962	(1,025)	18,937

b Components of other comprehensive income, including reclassification adjustments

	2014 RMB'000	2013 RMB'000
Available-for-sale investments:		
Changes in fair value recognized during the year	6,116	4,135
Net movement in the fair value reserve during the year recognized in other comprehensive income	6,116	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 RMB5,492.35 million (2013:RMB4,128.56 million) and the weighted average number of ordinary shares in issue at the end of each reporting period, calculated as follows:

Weighted average number of ordinary shares

	2014 Number of Shares '000	2013 Number of Shares '000
Ordinary shares issued at 1 January	10,320,056	10,320,056
Effect of issuance of shares (note 33 (c)(i))	1,176,498	—
Weighted average number of ordinary shares at 31 December	11,496,554	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 RMB5,492.35 million (2013: RMB4,128.56 million) and the weighted average number of ordinary shares are of 11,496.55 million shares (2013: 10,325.98 million shares) calculated as follows:

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

	2014 RMB'000	2013 RMB'000
Profit attributable to ordinary equity shareholders	5,492,351	4,128,559

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

	2014 Number of Shares '000	2013 Number of Shares '000
Weighted average number of ordinary shares at 31 December	10,320,056	10,320,056
Effect of issuance of shares (note 33 (c)(i))	1,176,498	—
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 29)	—	5,921
Weighted average number of ordinary shares at 31 December	11,496,554	10,325,977

11 PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements RMB'000	Land, buildings and structures RMB'000	Equipments RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Investment property RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At 1 January 2013	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
Transfer from investment property	–	18,470	–	–	–	(18,470)	–	–
Acquisition 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	–
Transfer to investment property	–	(163)	–	–	–	163	–	–
Transfer 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
Additions	3,821	18,830	378,387	14,316	54,373	–	3,856,545	4,326,272
Transfer from construction in progress	–	2,163,365	1,420,869	65,529	103,737	122	(3,753,622)	–
Transfer from investment property	–	17,351	–	–	–	(17,351)	–	–
Disposals	(2,056)	(3,265)	(137,356)	(25,837)	(25,115)	(1,752)	(6,479)	(201,860)
Disposal of subsidiary	–	–	–	(2,240)	(1,367)	–	–	(3,607)
Transfer to construction in progress	–	(54,704)	(61,079)	(2,469)	–	–	118,252	–
Transfer to investment property	–	(3,663)	–	–	–	3,663	–	–
Transfer to other non-current assets	–	(115,313)	(12,956)	(505)	(1,585)	–	–	(130,359)
Transfer to intangible assets	–	–	–	–	–	–	(91,043)	(91,043)
At 31 December 2014	9,921	16,409,595	17,897,674	1,519,188	1,583,631	219,809	5,335,031	42,974,849

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group *(continued)*

	Leasehold improvements RMB'000	Land, buildings and structures RMB'000	Equipments RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Investment property RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation:								
At 1 January 2013	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
Transfer 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)
Transfer 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
Depreciation charge for the year	1,485	534,956	1,258,593	148,528	185,774	4,000	–	2,133,336
Transfer from investment property	–	7,967	–	–	–	(7,967)	–	–
Written back on disposal	(2,056)	(1,528)	(111,020)	(18,615)	(23,358)	(898)	–	(157,475)
Disposal of subsidiary	–	–	–	(722)	(664)	–	–	(1,386)
Transfer to construction in progress	–	(21,739)	(41,728)	(1,975)	–	–	65,441	–
Transfer to investment property	–	(88)	–	–	–	88	–	–
Transfer to other non-current assets	–	(53,817)	(11,906)	(491)	(1,511)	–	–	(67,725)
At 31 December 2014	3,848	3,270,647	7,535,741	733,513	1,014,411	131,705	65,441	12,755,306

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group *(continued)*

	Leasehold improvements RMB'000	Land, buildings and structures RMB'000	Equipments RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Investment property RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated impairment losses:								
At 1 January 2013	–	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)	–
Transfer 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
Impairment losses charge for the year	–	–	333	–	–	–	–	333
Transfer from investment property	–	385	–	–	–	(385)	–	–
Written back on disposal	–	–	(5,874)	(114)	(734)	(101)	–	(6,823)
Transfer to construction in progress	–	–	(2,448)	(416)	–	–	2,864	–
Transfer from equipments to furniture, fixtures and others	–	–	(224)	–	224	–	–	–
At 31 December 2014	–	31,140	155,836	5,671	4,679	13,894	12,118	223,338
Net book value:								
At 31 December 2014	6,073	13,107,808	10,206,097	780,004	564,541	74,210	5,257,472	29,996,205
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)*

At 31 December 2014, the aggregate net book value of properties and plants restriction on title is approximately RMB 6,081.70 million (at 31 December 2013: RMB 5,023.50 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly and use the above-mentioned properties and plants and therefore the aforesaid matter did not have any significant impact on the Group's financial position at 31 December 2014.

(a) 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 at 31 December 2014 amounted to RMB 280.39 million (at 31 December 2013: RMB 87.25 million).

12 LEASE PREPAYMENTS

The Group

	2014 RMB'000	2013 RMB'000
Carrying amount at 1 January, net of accumulated amortisation	9,966,563	9,126,850
Additions	483,744	1,104,049
Acquisition of subsidiary	–	16,255
Disposals	–	(86,337)
Acquisition of business under common control	–	(3,555)
Amortisation	(204,664)	(190,699)
Carrying amount at 31 December	10,245,643	9,966,563

The Group's lease prepayments in respect of land are held under long term leases and located in mainland China. At 31 December 2014, the aggregate net book value of certain lands restriction on title is approximately RMB 946.30 million (at 31 December 2013: RMB 1,777.93 million). The directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land, and therefore the aforesaid matter did not have any significant impact on the Group's financial position at 31 December 2014.

13 GOODWILL

	2014 RMB'000	2013 RMB'000
Cost:		
At 1 January	13,557	13,557
Acquisitions of subsidiary	—	—
At 31 December	13,557	13,557
Accumulated impairment losses:		
At 1 January	—	—
Impairment charged for the year	—	—
At 31 December	—	—
Carrying amount at 31 December	13,557	13,557

The Group acquired 51% interest of Beijing Tsinghua Software Information Technology Co., Ltd. with a consideration of RMB29.77 million in January 2012 and RMB13.56 million was recognized as goodwill.

14 INTANGIBLE ASSETS

The Group

	Patents and trademarks RMB'000	Computer software and others RMB'000	Total RMB'000
Cost:			
At 1 January 2013	252,097	451,733	703,830
Additions	35,977	317,564	353,541
Acquisitions of subsidiary	24,406	9	24,415
Disposals	—	(1,041)	(1,041)
At 31 December 2013	312,480	768,265	1,080,745
Additions	13,981	228,698	242,679
Disposals	—	(5,170)	(5,170)
At 31 December 2014	326,461	991,793	1,318,254
Accumulated amortization and impairment losses:			
At 1 January 2013	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
Amortization charge for the year	26,972	87,814	114,786
Written back on disposal	—	(5,170)	(5,170)
At 31 December 2014	193,090	357,466	550,556
Net book value:			
At 31 December 2014	133,371	634,327	767,698
At 31 December 2013	146,362	493,443	639,805

15 INVESTMENTS IN SUBSIDIARIES

The Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Unlisted shares, at cost	32,084,410	29,541,690
Less: impairment loss	—	—
	32,084,410	29,541,690

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of the company	Place of incorporation and operation	Issued and fully paid-up capital RMB'000	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal Activities
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	100.00%	100.00%	–	Manufacture of railway transportation equipment and components
Tangshan Railway Vehicle Co., Ltd. 唐山軌道客車有限責任公司	The PRC	2,257,000	100.00%	100.00%	–	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	5,807,947	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	100.00%	100.00%	–	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	100.00%	100.00%	–	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	100.00%	100.00%	–	Manufacture of locomotives components
CNR Construction and Engineering Co., Ltd. 北車建設工程有限責任公司	The PRC	300,000	100.00%	100.00%	–	Project management contracting, sales of machinery and construction materials and leasing of machinery equipment

15 INVESTMENTS IN SUBSIDIARIES *(continued)*

The Company *(continued)*

Name of the company	Place of incorporation and operation	Issued and fully paid-up capital RMB'000	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal Activities
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	100.00%	100.00%	–	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	100.00%	100.00%	–	Manufacture and refurbishment of locomotives and components
Taiyuan Railway Transportation Equipment Co., Ltd. 太原軌道交通裝備有限責任公司	The PRC	327,000	100.00%	100.00%	–	Manufacture and refurbishment of locomotives and components
Yongji Xinshisu Electric Equipment Co., Ltd. 永濟新時速電機電器有限責任公司	The PRC	630,000	100.00%	100.00%	–	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	1,260,000	100.00%	100.00%	–	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	810,000	100.00%	100.00%	–	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	100.00%	100.00%	–	Refurbishment of diesel and electric locomotives
CNR Import & Export Co., Ltd. 北車進出口有限公司	The PRC	100,000	100.00%	100.00%	–	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	100.00%	92.00%	8.00%	Logistics services, agent of international freight and trading of raw materials
CNR Dalian Locomotive Research Institute Co., Ltd. 中國北車集團大連機車研究所有限公司	The PRC	186,000	100.00%	100.00%	–	Research and development, and manufacture of locomotives machinery and electronic devices

15 INVESTMENTS IN SUBSIDIARIES *(continued)*

The Company *(continued)*

Name of the company	Place of incorporation and operation	Issued and fully paid-up capital RMB'000	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal Activities
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	100.00%	100.00%	–	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	51.00%	51.00%	–	Provide training of computer technology, basic software related services, applicant software related services, computer systematic services and data processing services
CNR Investment & Leasing Corp., Ltd. 北車投資租賃有限公司	The PRC	1,000,000	100.00%	100.00%	–	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	51.00%	51.00%	–	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	51.00%	51.00%	–	Manufacture and refurbishment of rapid transit vehicles
CNR (Hong Kong) Corporation Limited 北車(香港)有限公司	Hong Kong	1,564,939	100.00%	100.00%	–	Manufacture and refurbishment of railway vehicles (including MUs), rapid transit vehicles and merger and acquisition
CNR Shenyang Locomotive & Rolling Stock Co., Ltd. 中國北車集團瀋陽機車車輛有限責任公司	The PRC	951,532	100.00%	100.00%	–	Manufacture and refurbishment of freight wagons
CNR Financial Co., Ltd. 中國北車集團財務有限公司	The PRC	1,200,000	91.66%	91.66%	–	Take deposits and provide entrusted loans with its subsidiaries and China Northern Locomotive & Rolling Stock Industry (Group) Corporation and its affiliates

15 INVESTMENTS IN SUBSIDIARIES *(continued)*

The Company *(continued)*

Name of the company	Place of incorporation and operation	Issued and fully paid-up capital RMB'000	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal Activities
CNR Southern Co., Ltd. 北車南方有限公司	The PRC	500,000	100.00%	100.00%	–	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	100.00%	100.00%	–	Research and development of electric traction and control technologies and manufacture and sales of applicant services and related products
CNR MA Corporation 北車(美國)公司	The USA	USD500,000	100.00%	51.00%	49.00%	Technology service, technology consulting related to railway locomotives, project planning, project service, procurement, sales, leasing of railway locomotives and components
CNR Rolling Stock South Africa Proprietary Limited 北車車輛（南非）公司	The Republic of South Africa	ZAR274.3	66.00%	66.00%	–	Technology service, technology consulting related to railway locomotives, project planning, project service, procurement, sales, leasing of railway locomotives and components

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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Share of net assets	1,051,370	1,040,052

16 INTEREST IN ASSOCIATES *(continued)*

The Group *(continued)*

Particulars of the principal associates of the Group as at 31 December 2014 are as follows:

				Proportion of ownership interest			
Name of associates	Form of business structure	Place of establishment/ incorporation	Issued and fully paid-up capital	Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Datong ABB Traction Transformer Co., Ltd. ("Datong ABB") 大同ABB牽引變壓器有限公司("大同ABB")	Incorporation	The PRC	USD6,000,000	50.00%	–	50.00%	Manufacturing and selling of locomotive transformer
Alstom Qingdao Railway Equipment Co., Ltd. ("Alstom Qingdao") 青島阿爾斯通鐵路設備有限公司("青島阿爾斯通")	Incorporation	The PRC	RMB10,000,000	49.00%	–	49.00%	Selling of electric control system
Beijing Nankou SKF Railway Bearings Co. Ltd., ("Nankou Railway Bearings") 北京南口斯凱孚鐵路軸承有限公司("南口斯凱孚")	Incorporation	The PRC	RMB193,457,459	49.00%	–	49.00%	Manufacturing and selling of locomotive bearing
Xinyang Amsted Tonghe Wheels Co., Ltd. ("Xinyang Amsted Tonghe Wheels") 信陽同合車輪有限公司("信陽同合車輪")	Incorporation	The PRC	USD52,173,900	19.00%	10.00%	9.00%	Manufacturing and selling of locomotives and rolling stock
Shanghai Alstom Transport Electric Equipment Co., Ltd. ("Shanghai Alstom") 上海阿爾斯通交通電氣有限公司("上海阿爾斯通")	Incorporation	The PRC	RMB100,000,000	20.40%	–	40.00%	Manufacturing and selling of traction equipment
Tianjin Electric Locomotive Co., Ltd. ("Tianjin Electric Locomotive") 天津電力機車有限公司("天津電力機車")	Incorporation	The PRC	RMB960,000,000	43.75%	43.75%	–	Electric locomotive manufacturing

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16 INTEREST IN ASSOCIATES *(continued)*

The Group *(continued)*

Aggregate information of associates:

	2014 RMB'000	2013 RMB'000
Aggregate carrying amount of associates in the consolidated financial statements	1,051,370	1,040,052
Aggregate amounts of the Group's share of those associates' profit from continuing operations	132,029	110,651
Total comprehensive income	132,029	110,651

17 INTEREST IN JOINT VENTURES

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Share of net assets	1,147,438	944,177

17 INTEREST IN JOINT VENTURES *(continued)*

Particulars of the principle joint ventures of the Group as at 31 December 2014 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
Changchun Bombardier Railway Vehicles Co., Ltd. ("Changchun Bombardier") 長春長客-龐巴迪軌道車輛有限公司 ("長春長客-龐巴迪")	Incorporation	The PRC	RMB239,450,000	46.77%	–	50.00%	Manufacturing and selling of locomotives accessories
Shenyang CNR Wabtec Railway Brake Technology Co., Ltd. ("Shenyang Webtec") 瀋陽北車西屋軌道制動技術有限公司 ("瀋陽西屋")	Incorporation	The PRC	RMB138,000,000	50.00%	–	50.00%	Manufacturing and selling of locomotives accessories
Dalian Toshiba Locomotive Electric Equipment Co., Ltd. ("Dalian Toshiba") 大連東芝機車電氣設備有限公司 ("大連東芝")	Incorporation	The PRC	USD7,416,500	50.00%	–	50.00%	Manufacturing and selling of locomotives accessories
Hitachi Yonge Electric Equipment (Xi'an) Co., Ltd. ("Hitachi Yongji") 日立永濟電器設備(西安)有限公司 ("日立永濟")	Incorporation	The PRC	USD35,460,000	50.00%	–	50.00%	Manufacturing and selling of locomotives accessories
Qingdao FAIVELEY SRI Rail Brake Co., Ltd ("Qingdao FAIVELEY SRI") 青島四方法維萊軌道制動有限公司 ("青島四方法維萊")	Incorporation	The PRC	RMB30,000,000	50.00%	–	50.00%	Manufacturing and selling of locomotives accessories

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.

17 INTEREST IN JOINT VENTURES *(continued)*

Aggregate information of joint ventures:

	2014 RMB'000	2013 RMB'000
Aggregate carrying amount of joint ventures in the consolidated financial statements	**1,147,438**	944,177
Aggregate amounts of the Group's share of those joint ventures' profit from continuing operations	**241,705**	189,545
Total comprehensive income	**241,705**	189,545

18 OTHER NON-CURRENT ASSETS

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Long-term trade receivables – third parties	**317,879**	1,088,926
Long-term construction contract receivables – third parties	**2,341,762**	4,443,657
Long-term finance lease receivables – third parties	**5,912,372**	5,837,420
Less: allowance for doubtful debts	**23,072**	61,601
	8,548,941	11,308,402
Less: current portion of long-term receivables	**2,320,269**	4,239,021
Available-for-sale investments		
– listed	**97,934**	90,829
– unlisted	**44,244**	67,994
Less: impairment loss	**24,727**	24,727
	6,346,123	7,203,477
Other intangible assets prepayments	**149,185**	123,190
Long-term prepaid expenses	**32,127**	1,143
Long-term prepayments for property, plant and equipment		
– related parties	**21,957**	36,130
– third parties	**796,647**	1,013,012
Others	**317,324**	—
	1,317,240	1,173,475
	7,663,363	8,376,952

18 OTHER NON-CURRENT ASSETS *(continued)*

The Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Entrusted loans to subsidiaries	9,502,030	15,760,448
Investment prepayment	1,980	1,980
	9,504,010	15,762,428

19 CONSTRUCTION CONTRACTS

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Contract costs incurred plus recognized profits less recognized losses in connection with construction contracts in progress	758,806	26,562
Less: progress billings	720,732	23,193
Gross amounts due to customers for contract work	38,074	3,369

The gross amounts due from customers for contract work at 31 December 2014 that were expected to be recovered after more than one year were nil (at 31 December 2013: RMB2,249.15 million).

20 INVENTORIES

Inventories in the consolidated statements of financial position:

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Cost, net of provision		
Raw materials	10,765,803	7,514,808
Work in progress	14,462,836	9,099,758
Finished goods	2,659,387	1,947,423
Goods in sent	929,900	—
Others	147,568	74,801
	28,965,494	18,636,790

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

	2014 RMB'000	2013 RMB'000
Carrying amount of inventories sold	84,119,498	79,761,789

21 TRADE AND BILLS RECEIVABLES

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Trade receivables for sale of goods and rendering of services due from:		
– related parties	624,447	422,386
– third parties	27,171,363	31,057,779
	27,795,810	31,480,165
Less: allowance for doubtful debts	2,105,825	1,095,199
	25,689,985	30,384,966
Bills receivable for sale of goods and rendering of services due from:		
– related parties	2,479	4,247
– third parties	2,273,332	1,530,053
	2,275,811	1,534,300
Gross amounts due from customers for contract work	38,074	3,369
	28,003,870	31,922,635

Note: Trade and bills receivables include bills discounted to banks or endorsed to suppliers and factored trade receivables with recourse totalling RMB790.48 million at 31 December 2014 (at 31 December 2013: RMB1,373.68 million). 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, trade and bill payables were RMB725.24 million at 31 December 2014 (at December 2013: RMB1,316.13 million).

21 TRADE AND BILLS RECEIVABLES *(continued)*

(a) Aging analysis

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

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Within 6 months	20,651,159	25,087,470
6 to 12 months	3,431,403	3,389,604
Over 1 year	3,921,308	3,445,561
Trade and bills receivables, net of allowance for doubtful debts	28,003,870	31,922,635

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

21 TRADE AND BILLS RECEIVABLES *(continued)*

(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 are satisfied that recovery of the amount are remote, in which case the impairment loss is written off against trade and bills receivables directly (see note 1(o)(i)).

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

The Group

	2014 RMB'000	2013 RMB'000
At 1 January	1,095,199	446,823
Impairment losses recognized	966,051	656,246
Acquisition of subsidiaries	—	256
Reclassification of impairment losses	61,068	—
Reversal of impairment losses	(12,998)	(169)
Acquisition of business under common control	—	(661)
Uncollectible amounts written off	(3,495)	(7,296)
At 31 December	2,105,825	1,095,199

At 31 December 2014, the Group's trade and bills receivables of RMB1,933.53 million (at 31 December 2013: RMB901.72 million) 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 RMB1,072.86 million (at 31 December 2013: RMB426.03 million) was recognized.

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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Neither past due nor impaired	**15,418,194**	18,729,188
Less than 1 month past due	**1,098,547**	2,701,647
1 to 3 months past due	**1,333,778**	2,209,832
3 to 12 months past due	**3,153,394**	2,798,885
More than 12 months past due	**471**	13,917
Amounts past due	**5,586,190**	7,724,281
	21,004,384	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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Derivative financial instruments	4,381	4,907
Dividend receivables	11,889	20,694
Interest receivables	51,835	16,237
Current portion of long-term receivables	2,343,292	4,286,672
Prepayments for purchase of inventories		
– related parties	38,567	14,120
– third parties	6,191,994	4,861,140
Advances to		
– related parties	9,665	7,693
– third parties	552,668	934,503
Advances to staff	73,230	74,121
Other deposits	224,176	174,729
Others	916,962	815,963
Less: allowance for doubtful debts	561,239	382,107
	9,857,420	10,828,672

The Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Entrust loans	12,004,948	9,613,350
Dividend receivables		
– subsidiaries	700,985	276,198
Interest receivables	111,998	44,424
Prepayments for purchase of inventories		
– subsidiaries	2,000	—
Advances to subsidiaries	10,343	—
Advances to staff	978	90
Other deposits	—	3,200
Others	21,513	194,178
	12,852,765	10,131,440

22 PREPAYMENTS, DEPOSITS, AND OTHER RECEIVABLES *(continued)*

(a) Impairment of prepayments, deposits and other receivables

Impairment losses in respect of prepayments, deposits 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(o)(i)).

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

The Group

	2014 RMB'000	2013 RMB'000
At 1 January	382,107	100,726
Impairment losses recognized	242,567	295,872
Reclassification of impairment losses	(47,117)	—
Reversal of impairment losses	(15,992)	—
Disposal of a subsidiary	—	(14,445)
Uncollectible amounts written off	(326)	(46)
At 31 December	561,239	382,107

23 RESTRICTED DEPOSITS

Restricted deposits mainly represent guarantee deposits, statutory deposit reserve funds and pledged bank deposits. 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. At 31 December 2014, the Group had pledged bank deposits of RMB312.16 million for bank borrowings and bills payable (at 31 December 2013: nil).

24 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Cash in hand	1,409	1,474
Cash at bank	21,758,659	7,112,934
Cash and cash equivalents	21,760,068	7,114,408

The Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Cash at bank	15,736,213	286,922

24 CASH AND CASH EQUIVALENTS *(continued)*

(b) Reconciliation of profit before taxation to cash generated from operating:

	Note	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Profit before taxation		6,611,208	5,099,131
Adjustments for:			
Depreciation	5(c)	2,133,336	1,955,306
Amortisation	5(c)	319,450	245,935
Net (gain)/loss on disposal of property, plant and equipment	4	(2,350)	10,614
Impairment loss of inventory	5(c)	148,142	148,260
Impairment losses on trade and other receivables	5(c)	1,179,628	951,949
Impairment losses on non-current assets	5(c)	48	37,568
Impairment losses on property, plant and equipment	5(c)	333	1,246
Interest income		(157,935)	(28,251)
Finance costs		1,540,472	1,089,631
Net foreign exchange loss		65,389	33,124
Share of profits less losses of associates and joint ventures		(384,356)	(290,664)
Net (gain)/loss on disposal of other financial assets and the shares of associates and joint ventures		(18,086)	44,919
Dividend income	4	(4,112)	(5,693)
Net loss on financial assets at fair value through profit or loss		325	6,069
Equity-settled share-based payment (income)/expenses	5(b)	(3,945)	33,202
Changes in working capital:			
(Increase)/decrease in inventories		(10,903,521)	5,921,019
Decrease/(increase) in trade and bills receivables		2,946,776	(9,893,876)
Decrease/(increase) in prepayments, deposits and other receivables		1,763,069	(7,171,779)
Increase in trade and other payables		12,181,277	8,513,930
Decrease in provision for warranty		(105,617)	(64,342)
Decrease in net defined benefit retirement obligations		(167,891)	(100,674)
Increase in restricted deposits		(1,119,771)	(878,433)
Cash generated from operations		16,021,819	5,658,191
Income tax paid		(1,265,376)	(771,408)
Net cash generated from operating activities		14,756,443	4,886,783

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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Bank loans		
– Unsecured	2,549,957	1,410,277
Other loans		
– Guaranteed	5,000	5,000
Medium-term notes		
– Unsecured	3,974,564	–
	6,529,521	1,415,277
Less: Current portion of long-term borrowings	1,596,000	–
	4,933,521	1,415,277

The Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Bank loans		
– Unsecured	1,057,000	490,000
Medium-term notes		
– Unsecured	3,974,564	–
	5,031,564	490,000
Less: Current portion of long-term borrowings	890,000	–
	4,141,564	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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Entrusted loans		
– Unsecured	601,980	601,980
Bank loans		
– Secured	206,604	1,243,132
– Unsecured	4,697,863	8,761,684
Other loans		
– Secured	8,000	8,000
– Unsecured	100,000	—
Short-term inter-bank corporate bonds		
– Unsecured	16,988,892	9,994,357
Add: Current portion of long-term borrowings	1,596,000	—
	24,199,339	20,609,153

The Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Entrusted loans		
– Unsecured	9,606,980	5,396,980
Bank loans		
– Secured	—	987,832
– Unsecured	1,730,000	6,650,000
Short-term inter-bank corporate bonds		
– Unsecured	16,988,892	9,994,357
Add: Current portion of long-term borrowings	890,000	—
	29,215,872	23,029,169

25 INTEREST-BEARING LOANS AND BORROWINGS *(continued)*

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

The Group

	31 December 2014 %	31 December 2013 %
Long-term interest-bearing loans and borrowings		
– Bank loans	0.20-6.40	0.20-4.20
– Other loans	3.20	3.20
– Medium term notes	5.50-5.75	—
Short-term interest-bearing loans and borrowings		
– Entrusted loans	4.64	4.40
– Bank loans	1.26-7.25	3.90-7.00
– Others loans	6.00-10.00	10.00
– Short-term inter-bank corporate bonds	4.60-5.50	3.75-5.30

The Company

	31 December 2014 %	31 December 2013 %
Long-term interest-bearing loans and borrowings		
– Bank loans	3.90	4.20
– Medium term notes	5.50-5.75	—
Short-term interest-bearing loans and borrowings		
– Entrusted loans	1.38-4.64	3.05-4.48
– Bank loans	4.20-5.40	3.90-5.60
– Short-term inter-bank corporate bonds	4.60-5.50	3.75-5.30

25 INTEREST-BEARING LOANS AND BORROWINGS *(continued)*

(d) The analysis of the interest-bearing loans and borrowings repayable of the Group and the Company is as follows:

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Loans		
– Within one year, inclusive or on demand	24,799,699	20,931,223
– In the second year, inclusive	1,172,071	1,411,508
– In the third to fifth year, inclusive	4,279,524	5,237
– Beyond five years	18,643	21,133
	30,269,937	22,369,101

The Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Loans		
– Within one year, inclusive or on demand	29,827,891	23,339,499
– In the second year, inclusive	381,298	501,446
– In the third to fifth year, inclusive	4,270,521	—
	34,479,710	23,840,945

26 TRADE AND BILLS PAYABLES

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Trade payables to		
– related parties	1,741,234	2,401,222
– third parties	32,224,715	25,623,403
	33,965,949	28,024,625
Bills payables to		
– related parties	243,070	198,917
– third parties	8,978,580	7,802,714
	9,221,650	8,001,631
	43,187,599	36,026,256

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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Within 6 months	38,022,914	30,725,880
6 to 12 months	3,637,878	4,205,000
Over 1 year	1,526,807	1,095,376
	43,187,599	36,026,256

27 OTHER PAYABLES AND ACCRUALS

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Interest payables		
– related parties	1,815	512
– third parties	719,374	280,978
Payables for staff related costs	732,408	619,555
Payables for other taxes and surcharges	1,402,151	1,691,172
Dividends payables		
– related parties	53,641	53,641
– third parties	96,880	67,696
Other accruals and payables		
– related parties	922,095	515,362
– third parties	2,802,872	2,699,183
	6,731,236	5,928,099
Derivative financial liabilities	1,000	1,201
Receipts in advance		
– related parties	22,942	128,971
– third parties	12,745,982	10,004,859
	12,768,924	10,133,830
	19,501,160	16,063,130

27 OTHER PAYABLES AND ACCRUALS *(continued)*

The Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Interest payables		
– related parties	4,149	3,339
– third parties	704,569	265,519
Payables for staff related costs	20,103	15,697
Payables for other taxes and surcharges	887	2,016
Other accruals and payables		
– related parties	794	63,453
– third parties	222,313	139,739
Receipts in advance		
– third parties	21,584	23,277
	974,399	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 consolidated 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 USA, using the projected unit credit method.

28 DEFINED BENEFIT OBLIGATIONS *(continued)*

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:

	31 December 2014 RMB'000	31 December 2013 RMB'000
Present value of wholly funded obligations	2,380,152	2,378,757

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

	2014 RMB'000	2013 RMB'000
At 1 January,	2,378,757	2,494,331
Remeasurements:		
– Actuarial losses/(gains) arising from changes in financial assumptions	204,402	(219,797)
– Actuarial (gains)/losses arising from changes in other assumptions	(35,116)	204,897
	169,286	(14,900)
Benefits paid by the plans	(270,342)	(300,814)
Past service cost	(3,283)	110,387
Interest cost	105,734	89,753
Current portion at 31 December	221,074	247,518
Non-current portion at 31 December	2,159,078	2,131,239

28 DEFINED BENEFIT OBLIGATIONS *(continued)*

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

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

	31 December 2014	31 December 2013
Early retirement benefit plan	3.2	3.1
Pension and subsidy plan outside retirement unified planning	11.4	10.6
Supplementary medical reimbursement plan	5.6	5.8

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

	2014 RMB'000	2013 RMB'000
Past service cost	(3,283)	110,387
Net interest on net defined benefit liabilities	105,734	89,753
Total amounts recognized in profit or loss	102,451	200,140
Actuarial losses/(gains)	169,286	(14,900)
Total amounts recognized in other comprehensive income	169,286	(14,900)
Total defined benefit costs	271,737	185,240

28 DEFINED BENEFIT OBLIGATIONS *(continued)*

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

(i) Significant actuarial assumptions

	31 December 2014	31 December 2013
Discount rate	3.4%-3.8%	4.4%-4.8%
Welfare annual growth rate	8%-9.5%	8%-9.5%
Growth rate of medical expenses	7.00%	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:

	31 December 2014		31 December 2013	
	Increase In 0.5% RMB'000	Decrease In 0.5% RMB'000	Increase In 0.5% RMB'000	Decrease In 0.5% RMB'000
Welfare growth rate	118,641	(109,216)	109,982	(101,233)
Discount rate	(110,188)	121,094	(101,158)	111,075

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

29 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 26 October 2012, "China CNR Corporation Limited Share Option Scheme" (the "Share Option Scheme") which was effective from 1 November 2012 was approved at the general meeting. The eligible participants of the Share Option Scheme included the Company and subsidiaries' directors, senior management (independent non-executive directors and supervisors excluded), and key technical personnel and management personnel who have direct contribution to the performance and continuing development of the Group. According to the Share Option Scheme, the eligible participants have the right to subscribe the share option at RMB4.34 per share. On 26 August 2013, the exercise price of the share option was modified to RMB4.24 per share which was approved by the board of directors. On 29 August 2014, the exercise price of the share option, was modified to RMB4.04 per share which was approved by the board of directors.

29 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

The Company granted 85,333,500 share options to the participants under the Share Option Scheme to subscribe for 85,333,500 shares. The number of the share options granted accounted for 0.83% of the total number of shares in issue, and have a validity period of 7 years. The share option granted shall become exercisable in three batches after the expiry of the two-year lock-up period from the grant date according to the following effective arrangements:

Percentage Exercisable	Date for vesting of the relevant percentage of the option
Lot 1: 33% of the total share options granted	The first trading day after the expiration of the 24-month/2-year period following the grant date
Lot 2: 33% of the total share options granted	The first trading day after the expiration of the 36-month/3-year period following the grant date
Lot 3: 34% of the total share options granted	The first trading day after the expiration of the 48-month/4-year period following the grant date

As the annual results of the Group failed to achieve the required growth rate of the revenue under the Share Option Scheme, the first batch and second batch of share options did not become effective. Pursuant to relevant terms and requirements under the Share Option Scheme, such share options not becoming effective lapsed forthwith and were forfeited by the Company. In addition, the third batch of share options will be terminated by proper procedures on the pre-condition that the merger of the Company and CSR is completed. The above proposals were approved by the meeting of the Board held on 30 December 2014 and the general shareholders' meeting held on 9 March 2015 respectively. Therefore, the Group reversed a share options expense of RMB 3.95 million during the year ended 31 December 2014 (in 2013 a share option expense of RMB 33.20 million was recognised). At the end of 2014, there are 56,320,110 share options granted forfeited and 29,013,390 share options cancelled.

(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:

	2014 Number of options	2013 Number of options
Outstanding at 1 January	85,333,500	85,333,500
Forfeited during the year	(56,320,110)	—
Cancelled during the year	(29,013,390)	—
Outstanding at 31 December	—	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 29 August 2014	At 26 August 2013
Fair value at measurement date	1.3339	1.1308
Share price	5.00	4.27
Exercise price	4.04	4.24
Expected volatility	31.78%	31.78%
Option life	7 years	7 years
Expected dividends	4.37%	2.21%
Risk-free interest rate	3.77%-3.81%	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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Income tax payable at 1 January	521,657	273,238
Provision for the year (note 6)	1,246,267	1,038,222
Acquisition of subsidiaries	—	(1,064)
Income tax paid	(1,265,376)	(771,408)
Income tax refunds received	5,426	18,902
Reclassified to/(from) income tax recoverable	72,228	(36,233)
Income tax payable at 31 December	580,202	521,657

	31 December 2014 RMB'000	31 December 2013 RMB'000
Income tax recoverable at 1 January	9,269	45,502
Reclassified from/(to) income tax payable	72,228	(36,233)
Income tax recoverable at 31 December	81,497	9,269

30 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets and liabilities recognized:

(i) The components of deferred tax assets and liabilities recognized in the consolidated statements of financial position and the movements during the year are as follows:

The Group

Deferred tax assets arising from	Provision for impairment of assets RMB'000	Tax losses RMB'000	Provision for product warranties RMB'000	Unrealized profit RMB'000	Adjustments arising from available-for-sale investments RMB'000	Government grants RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	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
Charged/(credited) to profit or loss	237,309	17,542	(8,484)	35,264	–	3,650	40,530	325,811
Change of tax rate	(643)	(87)	–	–	–	–	(61)	(791)
Charged to reserves	–	–	–	–	(1,836)	–	–	(1,836)
At 31 December 2014	493,967	23,421	102,845	73,803	(8,117)	23,829	64,773	774,521

30 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION *(continued)*

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

(i) The components of deferred tax assets and liabilities recognized in the consolidated statements of financial position and the movements during the year are as follows: *(continued)*

Deferred tax liabilities arising from	Provision for impairment of assets RMB'000	Tax losses RMB'000	Provision for product warranties RMB'000	Unrealized profit RMB'000	Adjustments arising from available-for-sale investments RMB'000	Government grants RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	–	–	–	–	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
Charged to reserves	–	–	–	–	(847)	–	–	(847)
At 31 December 2014	–	–	–	–	336	–	–	336

(ii) Reconciliation to the consolidated statements of financial position

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Net deferred tax assets recognized in the consolidated statements of financial position	774,521	451,337
Net deferred tax liabilities recognized in the consolidated statements of financial position	336	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(w), the Group has not recognized deferred tax assets in respect of unused tax losses of RMB 2,410.54 million and RMB 1,701.49 million at 31 December 2014 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:

	31 December 2014 RMB'000	31 December 2013 RMB'000
2014	–	93,263
2015	231,570	338,990
2016	330,991	352,805
2017	330,516	331,013
2018	587,597	585,419
2019	929,863	–
Total	2,410,537	1,701,490

31 PROVISION FOR WARRANTIES

The movements of provisions for product warranty during the reporting period are as follows:

The Group

	2014 RMB'000	2013 RMB'000
At 1 January	535,900	471,558
Additions	694,060	516,099
Provisions utilized	(588,443)	(451,757)
At 31 December	641,517	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 reporting period.

32 OTHER NON-CURRENT LIABILITIES

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Government grants	2,940,640	2,882,561
Other non-current liabilities	138,107	159,408
	3,078,747	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 reporting 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 reporting 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 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	–	–	–	33,202
Appropriation of reserve	–	–	–	119,499	(119,499)	–
Dividends paid in respect of the previous year	–	–	–	–	(1,032,006)	(1,032,006)
At 31 December 2013 and 1 January 2014	10,320,056	47,079	18,313,990	608,648	2,794,111	32,083,884
Changes in equity:						
Profit and total comprehensive income for the year	–	–	–	–	481,258	481,258
Issuance of shares upon public offering, net of issuing expenses	1,939,724	–	5,790,358	–	–	7,730,082
Equity-settled share-based transaction	–	(3,945)	–	–	–	(3,945)
Appropriation of reserve	–	–	–	48,126	(48,126)	–
Dividends paid in respect of the previous year	–	–	–	–	(2,064,011)	(2,064,011)
At 31 December 2014	12,259,780	43,134	24,104,348	656,774	1,163,232	38,227,268

33 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

(i) Dividends payable

Dividends payable to equity shareholders of the Company attributable to the previous year, approved and paid during the year:

	2014		2013	
	RMB/ per ordinary	RMB'000	RMB/ per ordinary	RMB'000
Final dividend in respect of the previous year, approved and paid during the year	0.2	2,064,011	0.1	1,032,006

(c) Share capital

(i) Issuance of shares

	2014		2013	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	10,320,056	10,320,056	10,320,056	10,320,056
Issuance of shares upon public offering, net of issuing expenses	1,939,724	1,939,724	—	—
At 31 December	12,259,780	12,259,780	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.

On 22 May 2014, the Company completed its global offering of 1,821,200,000 H ordinary shares with nominal value of RMB1.00 each were issued at a price of HKD5.17 per share , and the H shares have since then been listed on Hong Kong Listing Main Board.

33 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital *(continued)*

(i) Issuance of shares *(continued)*

On 13 June 2014, in connection with the partially exercise Over-allotment Option, 118,524,000 H ordinary shares with nominal value of RMB1.00 each were issued at a price of HKD5.17 per share by the Company.

Meanwhile, relevant state-owned shareholders of the Company were transferred to National Council for Social Security Fund of the PRC ("NSSF") 193,972,400 A Shares after the partly exercise of the Over-allotment Option and such A shares converted into H listed shares.

(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 of equity interests from 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 reporting 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 2014 and plans to comply with the above requirements during the transition period.

33 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purpose of reserves *(continued)*

(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(z).

(e) Distributability of reserves

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

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

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

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

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

(f) Capital management

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

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 at 31 December 2014 was 66.04% (at 31 December 2013: 67.07%).

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

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

(a) Credit risk

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

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

At the respective statements of financial position dates, the Group has certain concentration of credit risk. The receivables from the five largest debtors at 31 December 2014 represented 50% (at 31 December 2013: 60%) of the total trade receivables respectively, while 36% of the total trade receivables were due from the largest single debtor (at 31 December 2013: 47%).

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.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Liquidity risk *(continued)*

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

	note	31 December 2014					
		Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Short-term inter-bank corporate bonds	25	17,190,471	–	–	–	17,190,471	16,988,892
Entrusted, bank and other loans	25	7,384,228	947,071	9,003	18,643	8,358,945	8,169,404
Medium term notes	25	225,000	225,000	4,270,521	–	4,720,521	3,974,564
Other non-current liabilities		278	3,238	722	246	4,484	4,206
Trade, bills and other payables	26/27	49,930,927	–	–	–	49,930,927	49,919,835
		74,730,904	1,175,309	4,280,246	18,889	80,205,348	79,056,901

	note	31 December 2013					
		Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Short-term inter-bank corporate bonds	25	10,085,147	–	–	–	10,085,147	9,994,357
Entrusted, bank and other 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

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Liquidity risk *(continued)*

The Company

	note	31 December 2014 Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Short-term inter-bank corporate bonds	25	17,190,471	–	–	–	17,190,471	16,988,892
Entrusted and bank loans	25	12,412,420	156,298	–	–	12,568,718	12,393,980
Medium term notes	25	225,000	225,000	4,270,521	–	4,720,521	3,974,564
Trade, bills and other payables		962,999	–	–	–	962,999	962,999
		30,790,890	381,298	4,270,521	–	35,442,709	34,320,435

	note	31 December 2013 Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December 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

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(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 reporting 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 borrowings (interest-bearing financial liabilities) at statements of financial position date. The detailed interest rates of the Group's borrowings are disclosed in note 25.

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Fixed rate borrowings:		
Bank and other loans	969,604	5,543,289
Short-term inter-bank corporate bonds	16,988,892	9,994,357
Medium term notes	3,974,564	—
Variable rate borrowings:		
Other non-current liabilities	4,206	31,206
Entrusted and bank loans	7,199,800	6,486,784
Deposit	876,881	422,190
Total borrowings	30,013,947	22,477,826
Fixed rate borrowings as a percentage of total borrowings	73.08%	69.12%

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Interest rate risk *(continued)*

(i) Interest rate profile *(continued)*

The Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Fixed rate borrowings:		
Bank loans	—	4,387,832
Short-term inter-bank corporate bonds	16,988,892	9,994,357
Medium term notes	3,974,564	—
Variable rate borrowings:		
Bank loans	2,787,000	4,795,000
Entrusted loans	9,606,980	4,341,980
Total net borrowings	33,357,436	23,519,169
Fixed rate borrowings as a percentage of total borrowings	62.84%	61.15%

(ii) Sensitivity analysis

At 31 December 2014, 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 RMB27.48 million (at 31 December 2013: RMB23.60 million). Other components of consolidated equity would not be affected by the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the statements of financial position date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the statements of financial position date. The impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

The estimated 40 basis points increase or decrease represents management's assessment of a reasonable change in interest rates over the period until the next statements of financial position date. The analysis is performed on the same basis for the year ended 31 December 2013.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(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 ("USD"), Japanese Yen ("JPY"), Hong Kong dollars ("HKD"), South African Rand ("ZAR").

(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.

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 reporting date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

The Group

	31 December 2014				
	USD RMB'000	EUR RMB'000	JPY RMB'000	HKD RMB'000	ZAR RMB'000
Trade and bills receivables	436,981	99,391	—	44,785	—
Derivative financial instruments – assets	—	4,381	—	—	—
Available-for-sale investments	—	—	—	29,889	—
Cash and cash equivalents	3,832,174	21,392	1,325	817,304	162,491
Bank deposits with original maturities over three months	3,120,690	—	—	—	—
Restricted deposits	—	—	—	—	206,604
Trade and bills payables	(114,214)	(99,889)	(9,263)	—	—
Derivative financial instruments – liabilities	—	(1,000)	—	—	—
Bank loans	(1,911,971)	(135,319)	(26,058)	(22,472)	(206,604)
Gross exposure arising from recognized assets and liabilities	5,363,660	(111,044)	(33,996)	869,506	162,491
Net exposure arising from recognized assets and liabilities	5,363,660	(111,044)	(33,996)	869,506	162,491

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Currency risk *(continued)*

(ii) Exposure to currency risk *(continued)*

The Group *(continued)*

	At 31 December 2013			
	USD RMB'000	EUR RMB'000	JPY RMB'000	HKD 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

	31 December 2014 USD RMB'000	31 December 2014 HKD RMB'000	31 December 2013 USD RMB'000
Trade and bills receivables	—	—	1,208,699
Cash and cash equivalents	3,459,211	796,786	104
Bank deposits with original maturities over three months	1,835,700	—	—
Bank loans	—	—	1,668,238
Gross exposure arising from recognized assets and liabilities	5,294,911	796,786	2,877,041
Net exposure arising from recognized assets and liabilities	5,294,911	796,786	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 reporting period:

	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
USD	6.1080	6.1912	6.1190	6.0969
EUR	7.9373	8.3683	7.4556	8.4189
JPY	0.0546	0.0654	0.0514	0.0578
HKD	0.7875	0.7985	0.7889	0.7862
ZAR	0.5284	—	0.5284	—

A 5% strengthening/weakening of RMB against the following currencies at 31 December 2014 and December 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 of RMB against foreign currencies.

The Group

	2014		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
USD	5%	(227,956)	5%	(49,581)
	(5%)	227,956	(5%)	49,581
EUR	5%	4,719	5%	(14,522)
	(5%)	(4,719)	(5%)	14,522
JPY	5%	1,445	5%	299
	(5%)	(1,445)	(5%)	(299)
HKD	5%	(36,954)	5%	(3,256)
	(5%)	36,954	(5%)	3,256
ZAR	5%	(6,906)	—	—
	(5%)	6,906	—	—

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Currency risk *(continued)*

(iii) Sensitivity analysis *(continued)*

The Company

	2014		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
USD	5%	(198,559)	5%	(530)
	(5%)	198,559	(5%)	530
HKD	5%	(29,879)	—	—
	(5%)	29,879	—	—

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

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

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(e) Fair value measurement *(continued)*

(i) Financial assets and liabilities measured at fair value *(continued)*

The Group

	Fair value measurements at 31 December 2014 categorised into		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements			
Assets:			
Available-for-sale equity investments:	97,934	–	–
Derivative financial instruments:			
– Forward exchange contracts	–	4,381	–
Liabilities:			
Derivative financial instruments:			
– Forward exchange contracts	–	1,000	–

	Fair value measurements at 31 December 2013 categorised into		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements			
Assets:			
Available-for-sale equity investments:	90,829	–	–
Derivative financial instruments:			
– Forward exchange contracts	–	4,907	–
Liabilities:			
Derivative financial instruments:			
– Forward exchange contracts	–	1,201	–

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2014 and 2013.

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 statements were as follows:

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Contracted for	2,993,876	4,172,358

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

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Within 1 year	34,010	53,964
After 1 year but within 3 years	39,028	18,874
After 3 years	31,307	34,672
	104,345	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

(a) Post balance sheet merger event

The proposal for the merger between the Company and CSR on the principle of equals was approved by the general shareholders' meetings, extraordinary A shareholders' class meeting and H shareholders' class meeting held by the Company on 9 March 2015. Through the merger, CSR and the company propose to build a new company. CSR proposes to issue CSR A Shares and CSR H Shares to share-exchange with the company, CSR will issue its A shares to the A-share shareholders of the Company and its H shares to the H-share shareholders of the Company, which will apply to have the CSR A Shares and CSR H Shares to be issued under the Merger listed and traded on the Shanghai Stock Exchange (SSE) and the Stock Exchange of Hong Kong (SEHK), respectively. The corresponding A shares and H shares of the Company will be written off. The post-merger new company will, at the same time, hold all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR and CNR, through which an equal merger of both parties will be achieved. The merger was approved by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") on 5 March 2015, but it still needs approvals from the China Securities Regulatory Commission ("CSRC") to become effective.

36 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD *(continued)*

(b) Dividend distribution

On 9 March 2015, the general shareholders' meetings, extraordinary A shareholders' class meeting and H shareholders' class meeting approved the plan that (i) prior to the closing date of the merger, no ex-rights or ex-dividend actions be undertaken by CNR such as distribution of rights, conversion and capitalization of reserves into share capital and placing of shares; (ii) any accumulated profits of CNR which remain undistributed as at the closing date of the merger be for the benefit of shareholders of the post-merger new Company as a whole; (iii) after completion of the merger, the post-merger new Company shall consider and make arrangements for the 2014 dividend distribution after taking into account factors such as 2014 net profits and cash flows of CNR and CSR.

37 MATERIAL RELATED PARTY TRANSACTION

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following significant related party transaction during the reporting period.

(a) Name and relationship with material related parties

During the reporting 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
Dalian Locomotive Tianyuan Industrial Co., Ltd 大連機車天源實業公司	Under common control
CNR (Beijing) Railway Equipment Co., Ltd 北車（北京）軌道裝備有限公司	Under common control
CNR Beijing Nankou Locomotive & Rolling Stock Machinery Works 中國北車集團北京南口機車車輛機械廠	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
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

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
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
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
Taiyuan Jingwei Machinery Manufacturing Co., Ltd. 太原精威機械製造有限公司	Other related party
Taiyuan Wanhe Locomotive vehicle accessories Co., Ltd. 太原萬和機車車輛配件有限公司	Other related party
Yongji Railway Younaite Insulating Materials Co., Ltd. 永濟優耐特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

37 MATERIAL RELATED PARTY TRANSACTION *(continued)*

(b) Significant transactions with related parties

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

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

The Group

	2014 RMB'000	2013 RMB'000
Sales to		
CNRG's affiliates	104,355	63,238
Associates and joint ventures	390,801	246,190
Other related parties	148,269	190,187
Purchase of goods from		
CNRG's affiliates	134,622	95,037
Associates and joint ventures	4,606,351	2,728,896
Other related parties	282,911	133,476
Purchase intangible assets from		
CNRG's affiliates	—	29,405
Purchase property or equipment from		
CNRG's affiliates	—	26,823
Loans received from		
CNRG	601,980	601,980
Loans repaid to		
CNRG	601,980	—
Interest expense		
CNRG	30,436	1,379
CNRG's affiliates	5,093	1,927
Lease expenses paid to		
CNRG	24,305	24,305
CNRG's affiliates	19,633	8,492
Net deposits from		
CNRG	268,789	107,411
CNRG's affiliates	185,902	314,779

37 MATERIAL RELATED PARTY TRANSACTION *(continued)*

(b) Significant transactions with related parties *(continued)*

The Company

	2014 RMB'000	2013 RMB'000
Sales to		
The subsidiaries	18,868	266,048
Purchase of goods from		
The subsidiaries	15,968	1,561,287
Service provided from		
The subsidiaries	79,355	105,337
Entrusted loans received from		
CNRG	601,980	601,980
The subsidiaries	14,955,000	10,836,000
Entrusted loans repaid to		
CNRG	601,980	—
Loans provided to		
The subsidiaries	33,965,350	38,778,348
Interest income		
The subsidiaries	1,850,993	1,488,422
Interest expense		
CNRG	26,891	367
The subsidiaries	98,248	79,157
Lease expenses paid to		
CNRG	20,660	20,660
Provide guarantee to		
The subsidiaries	16,292,832	9,890,041

Note:

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.

37 MATERIAL RELATED PARTY TRANSACTION *(continued)*

(c) Significant outstanding balances with related parties

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

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Trade and bills receivables		
CNRG's affiliates	107,864	47,139
Associates and joint ventures	451,641	333,932
Other related parties	67,421	45,562
Prepayments, deposits and other receivables		
CNRG's affiliates	—	4,326
Associates and joint ventures	51,584	38,451
Other related parties	8,537	98
Other non-current assets		
CNRG's affiliates	7,891	—
Associates and joint ventures	4,400	108
Other related parties	9,666	36,022
Interest-bearing loans and borrowings		
CNRG	601,980	601,980
Trade and bills payables		
CNRG's affiliates	63,949	70,717
Associates and joint ventures	1,741,370	2,364,045
Other related parties	178,985	165,377
Other payables and accruals		
CNRG	446,773	177,503
CNRG's affiliates	514,594	475,649
Associates and joint ventures	22,429	40,190
Other related parties	16,697	5,144
Allowance for doubtful debts		
CNRG's affiliates	4,537	3,126
Associates and joint ventures	13,976	279
Other related parties	318	342

37 MATERIAL RELATED PARTY TRANSACTION *(continued)*

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

The Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Prepayments, deposits and other receivables		
The subsidiaries	12,800,810	9,944,117
Other non-current assets		
The subsidiaries	9,502,030	15,760,448
Interest-bearing loans and borrowings		
CNRG	601,980	601,980
The subsidiaries	9,005,000	4,795,000
Trade and bills payables		
The subsidiaries	10,184	1,110,763
Other payables and accruals		
CNRG	845	367
The subsidiaries	4,098	66,425
The balance of the guarantee provided		
The subsidiaries	14,002,628	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. At 31 December 2014 and 2013, there was no material outstanding contribution to post-employment benefit plans.

37 MATERIAL RELATED PARTY TRANSACTION *(continued)*

(e) Key management personnel remuneration

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

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

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	5,240	5,134
Discretionary bonus	5,344	5,391
Retirement scheme contributions	1,166	1,196
Equity-settled share-based transaction	(1,757)	1,650
	9,993	13,371

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

38 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.

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

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards and interpretations which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to IAS 19, *Defined benefit plans: Employee contributions*	1 July 2014
Annual improvements to IFRSs 2010-2012 cycle	1 July 2014
Annual improvements to IFRSs 2011-2013 cycle	1 July 2014
Amendments to IFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018

DEFINITIONS

"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company
"A Share(s)"	domestic share(s) of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Shanghai Stock Exchange and traded in RMB
"AC"	alternating current, an electric current whose direction reverses cyclically
"Accessories Sales Agreement"	the accessories sales agreement entered into between the Company and Mr. Yu Jinkun on 25 April 2014 in relation to sales and accessories and parts to/by the Company and provision of services by the Group
"associate(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Beijing CNR Investment"	Beijing CNR Investment Co., Ltd.* (北京北車投資有限公司) (formerly known as Datong Qianjin Investment Co., Ltd.* (大同前進投資有限責任公司)), a limited liability company established in the PRC, a wholly owned subsidiary of CNRG and a shareholder and promoter of the Company
"Board" or "Board of Directors"	the board of Directors
"CG Code"	Corporate Governance Code and the Corporate Governance Report contained in Appendix 14 to the Hong Kong Listing Rules
"China" or "PRC"	the People's Republic of China, excluding, for the purposes of this annual report, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"CNRG"	China Northern Locomotive & Rolling Stock Industry (Group) Corporation* (中國北方機車車輛工業集團公司), a large-scale state-owned enterprise established in the PRC, our controlling shareholder and one of the promoters of the Company
"CNR Changchun"	Changchun Railway Vehicle Co., Ltd.* (長春軌道客車股份有限公司), a PRC joint stock limited liability company established on 18 March 2002, and a non-wholly owned subsidiary of the Company
"CNR Financial"	CNR Financial Corp., Ltd.* (中國北車集團財務有限公司), a PRC limited liability company established on 30 November 2012, and is owned as to 91.66% by the Company and 8.34% by CNRG
"CNR Leasing"	CNR Investment & Leasing Corp., Ltd.* (北車投資租賃有限公司), a PRC limited liability company established on 11 January 2008, and a wholly owned subsidiary of China CNR
"CNR Logistics"	Beijing CNR Logistics Development Corp., Ltd.* (北京北車物流發展有限責任公司), a PRC limited liability company established on 4 April 2002, and an indirectly wholly owned subsidiary of China CNR
"Company" or "China CNR"	China CNR Corporation Limited (中國北車股份有限公司), a joint stock company with limited liability incorporated in the PRC, whose A Shares are listed on the Shanghai Stock Exchange and the H Shares are listed on the Hong Kong Stock Exchange
"connected transaction(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"CRC"	China Railway Corporation* (中國鐵路總公司), a state-owned enterprise established in the PRC, which has undertaken the railway operation assets and business of the former Ministry of Railway of the PRC and is the national railway operator of the PRC

"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"CSR"	CSR CORPORATION LIMITED* (中國南車股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, whose A Shares are listed on the Shanghai Stock Exchange and the H Shares are listed on the Hong Kong Stock Exchange
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Euro"	Euro, the lawful currency of the member states of the European Union
"Financial Services Agreement"	the financial services agreement entered into between CNR Financial and CNRG on 9 April 2013 in relation to the provision of financial services by the CNR Financial
"H Share(s)"	overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"HK$" or "Hong Kong dollars" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"hp"	horse power
"kW"	kilowatt
"Listing"	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	22 May 2014
"Main Board"	the stock exchange operated by the Hong Kong Stock Exchange which is independent from and operated in parallel to the Growth Enterprise Market of the Hong Kong Stock Exchange
"Merger"	the merger to be implemented in accordance with the terms of the Merger Agreement and the principles of a merger of equals, focusing on the future and ensuring the Merger is carried out in compliance with regulations, and by CSR technically merging with the Company through absorption, and under which the post-merger new company will hold all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of the Company and CSR, thereby achieving a merger of equals
"Merger Agreement"	the Merger Agreement entered into between the Company and CSR on 30 December 2014 in relation to the Merger
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"MOF"	Ministry of Finance of the PRC (中華人民共和國財務部)
"MOR"	the former Ministry of Railway of the PRC (中華人民共和國鐵道部)

"MU(s)" or "multiple units"	a fixed arrangement of cars which are equipped with driving coaches, non-powered trailers and occasionally, controlling coaches
"Mutual Supply Agreement"	the mutual supply agreement entered into between the Company and CNRG on 6 April 2011 in relation to the supply of products, raw materials and services to/by the Group
"NSSF"	National Council for Social Security Fund of the PRC (中華人民共和國全國社會保障基金理事會)
"PRC government" or "state"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
"Prospectus"	the prospectus of the Company dated 12 May 2014
"Reporting Period"	the 12-month period from 1 January 2014 to 31 December 2014
"RMB" or "Renminbi"	Renminbi Yuan, the lawful currency of the PRC
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Stock Exchange" or "SSE"	The Shanghai Stock Exchange (上海證券交易所)
"Shareholders"	holder(s) of the Share(s)
"Share Option"	options granted under the Share Option Scheme
"Share Option Scheme"	the A-Share share option scheme adopted by the Company on 26 October 2012 for the benefit of the Directors, members of senior management, employees and other eligible participants as defined under the scheme
"Shares"	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"State Council"	State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"US$" or "US dollars"	United States dollars, the lawful currency of the U.S.
"U.S." or "United States"	The United States of America
"%"	per cent

In this annual report, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or other language which are marked with "*" is for identification purpose only.

中國北車股份有限公司
CHINA CNR CORPORATION LIMITED