中國自動化集團有限公司

China Automation Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 569)

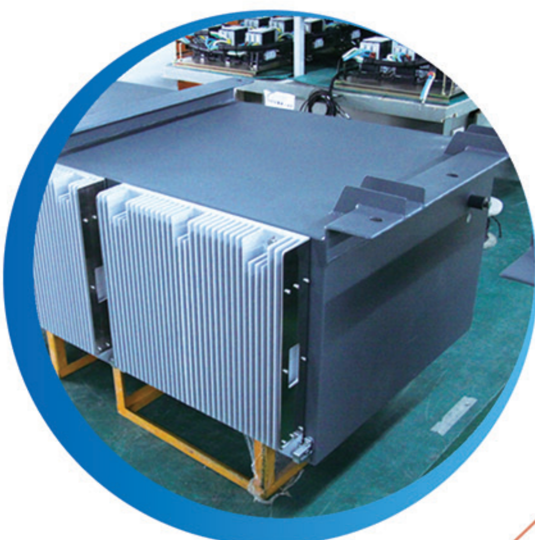
ANNUAL REPORT
2014

APPLY TOMORROW'S TECHNOLOGY
SAFEGUARD SECURITY TODAY

CONTENTS

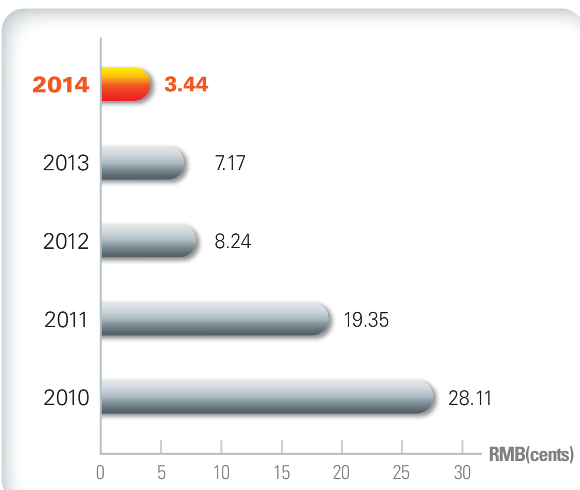
COMPANY **PROFILE**

China Automation Group Limited (the "Company") was established in 1999 and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2007. The Company and its subsidiaries (collectively referred to as the "Group") specialize in providing safety and critical control systems, control valves, signaling systems, and traction systems & related products mainly for the petrochemical and railway industries. The Group is the largest integrated solution provider of safety and critical control systems in the petrochemical industry, the largest domestic manufacturer of control valves; and one of the largest solution providers of railway signaling systems as well as a qualified supplier of traction and auxiliary power supply related systems & equipment in the railway industry in the People's Republic of China (the "PRC"). Leveraging on its solid business with four product series, strong engineering capability and extensive distribution network, the Group endeavors to become a large automation control system providers in China.

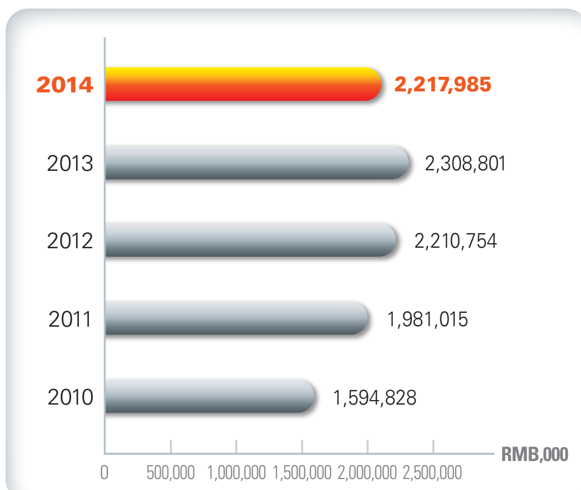


FINANCIAL HIGHLIGHTS

Earnings Per Share – Basic

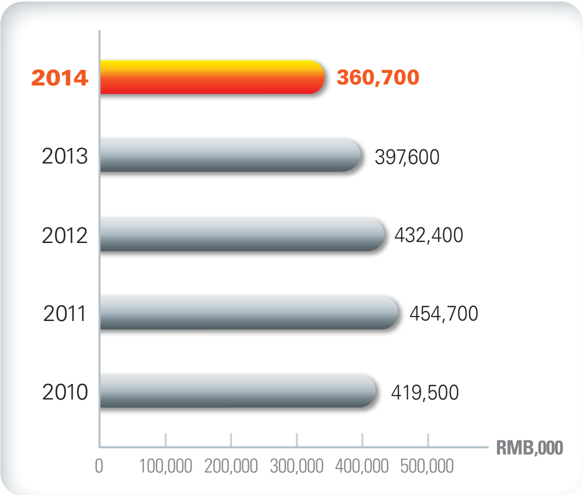


Turnover



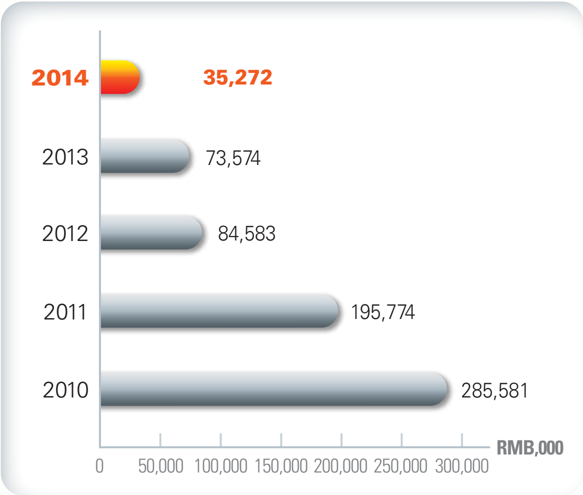
	2014 RMB'000	2013 RMB'000	Change (%)
Turnover	**2,217,985**	2,308,801	-3.9
Profit attributable to equity holders of the company	**35,272**	73,574	-52.0
Earnings per share			
– basic	**RMB3.44 cents**	RMB7.17 cents	-52.0
– diluted	**RMB3.44 cents**	RMB7.17 cents	-52.0
Dividend per share	**Nil**	Nil	–

EBITDA*



* EBITDA figures shown are before deduction of amortisation of intangible assets, share-based payment expenses and translational gain / loss

Profit Attributable to Equity Holders of the Company



Xuan Ruiguo
Chairman

CHAIRMAN'S **STATEMENT**

We are dedicated to providing high-tech products and services to the highest standard for petrochemical and railway industries ensuring a safe and comfortable environment for our people

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of the Company, I am pleased to report the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

During the year under review, the weak economic growth in China and the deep slide in oil prices dampened demand from the petrochemical and coal chemical industries. On the other hand, the operating environment for the railway industry in China improved in 2014.

As the largest provider of safety and critical control systems, the largest domestic manufacturer of control valves for the petrochemical and coal chemical industries, one of the largest providers of railway signaling systems, and qualified on-board electrified equipment provider for the railway industry in China, the Group is committed to providing high-tech products and services of top-quality to meet people's need for a safe and comfortable transportation system, and offering comprehensive and reliable products and services to the industries in which it operates. During the year under review, the Group continued its pursuit of quality, sustainable and strategic development by investing its core resources into the core businesses, though it took time for the Group to weather the sluggishness in the operating environment and implement measures to improve its operations to prepare itself for embracing the upcoming revival. During the year, the Group strived to maintain a proper balance between short-term profitability and medium-to-long term development, strengthened internal budget management, implemented stringent cost-control measures and optimised and consolidated its business structure, in an effort to improve the core competitiveness of all subsidiaries. The overall performance of the Group remained in line with management expectations.

For the year ended 31 December 2014, revenue of the Group decreased by 3.9% to RMB2,218 million from RMB2,308.8 million in 2013. Revenue generated from petrochemical segment shrank by 7.1% to RMB1,624.6 million from RMB1,747.9 million in 2013, whereas revenue generated from railway segment increased by 5.8% to RMB593.4 million from RMB560.9 million in 2013. The Group recorded RMB35.3 million in profit attributable to equity holders of the Company for the year ended 31 December 2014, down RMB38.3 million or 52% from 2013. Earnings per share decreased by RMB3.73 cents or 52% to RMB3.44 cents from RMB7.17 cents in 2013. The Board has resolved not to recommend any final dividend distribution for 2014 (2013: Nil).

FOCUSED ON PROFITABIITY AND OPERATING CASHFLOW

In 2014, the Group continued to undertake various measures to streamline and enhance its operations. The Group implemented a stringent budgetary planning and control system and cost control measures with an aim to lower its selling and distribution expenses as well administrative costs. The Group also rolled out an internal restructuring programme that saw scaling back of the non-profit making business units; retrenching redundant staff so as to enhance its overall operational efficiency and to maintain its competitiveness.

As a result of these efforts, the Group's operating cash flow remained strong. Selling and distribution expenses as well as administrative overheads for the year declined significantly. Its borrowings also continued to decline.

The Group has been engaging in provision of safety and critical control systems for the petrochemical industry since 1999. Leveraging its established business base and ongoing technological innovations, the Group secured a market share of over 70% and maintained its leading position in the safety and critical control system market during the year. The Group also has good, long-standing relations with various reputable clients, such as China Petrochemical Corporation, China National Petroleum Corporation, China Shenhua Energy Company Limited and China National Coal Group Corporation.

Wuzhong Instrument Company Limited ("Wuzhong Instrument"), a wholly-owned subsidiary of the Group, maintained outstanding performance during the year under review, recording a 15.2% organic growth in revenue over 2013. As the leader of the control valve industry in China, Wuzhong Instrument has been enjoying an advantage in market share over similar domestic products. During the year under review, Wuzhong Instrument saw favourable market opportunities from the trend of the localization of high-end control valves with tremendous market potential, including petrochemical, coal-chemical, chemical, power and metallurgical industries. Leveraging its strong engineering and maintenance services teams, Wuzhong Instrument explored a market niche of providing comprehensive plant-wide control valve maintenance services.

Wuzhong Instrument spared no effort in enhancing internal management, so as to reinforce the Group's operational capability and facilitate optimisation and upgrading of industrial structure. Wuzhong Instrument received a National Award (Second Prize) for Science and Technology Progress in Innovation and Industrialization of Key Technologies for High-end Control Valves, and was named a National Technology Innovation Demonstration Enterprise 2014.

OPTIMISING PRODUCT MIX AND TAPPING OPPORTUNITIES FROM LOCALISATION

According to statistics released by China Railway Corporation, ("CRC", formerly The Ministry of Railways) in 2014, national railway fixed asset investments amounted to RMB808.8 billion, and the new lines put into use amounted to 8,427 kilometers, of which high-speed railway accounted for 5,491 kilometers.

The operating environment for the railway industry improved in 2014. While The Group's railway signaling business remained lackluster, it had been able to maintain its market share. The Group is one of the four qualified suppliers of railway interlocking signaling system software, hardware and system integration and related services in China with a market share of over 30%. During the year under review, turnover of the signaling business segment declined 15.7% to RMB294.6 million. The Group delivered 181 sets of signaling systems in 2014, putting the cumulative number of systems delivered to 2,007 sets. It completed many projects including Shanxi mid-south-part railway line, Shijiazhuang-Taiyuan railway line retrofit project and Beijing subway line 7. It won a number of new projects including Dandong-Dalian passenger line, Lanzhou-Chengdu railway line and Jituhui railway line.

The Group is one of the five qualified suppliers of electrified equipment recognized by the CRC and one of the qualified suppliers for the metro localisation electrified equipment market. Revenue from the railway traction systems and auxiliary power supply related equipment segment increased by 53.8% to RMB199.8 million in 2014, driven by the accelerating investments in railways and the resumption of tendering of rolling stock projects. The Group made steady progress in the implementation of Guangzhou Subway Line 9 and Nanjing Subway Line 1 traction systems as a general contractor. With a track record comprising these two projects, the Group enjoys an advantageous position in tapping vast opportunities in the metro market in the future. It secured additional orders for DC600V core product and continued to develop proprietary traction systems for urban rail transit.

On 23 March 2015, the Group entered into a conditional agreement to dispose of its 76.7% interest in Beijing Jiaoda Microunion Technology Company Limited ("Beijing Jiaoda Microunion") for a cash consideration of RMB811.65 million, against the acquisition cost of RMB303.5 million; and the dividend of RMB168.7 million received. If completion take place, the estimated gain on this disposal will amount to RMB234.7 million. This move represents part of the Group's financial strategy in lowering its leverage so as to save finance costs.

PROSPECTS AND OUTLOOK

Looking ahead, the development of the petrochemical and coal chemical industries will face serious challenges as global oil prices are set to maintain their down trends in the short and medium term, resulting in slower growth in demand for the industry.

Meanwhile, the new reform deepening initiatives promulgated by the Central Government, namely deepening of industrialization, informatization, urbanization and agricultural modernization, the "Silk Road Economic Belt" initiative, and advancing the collaborative development of Beijing-Tianjin-Hebei, as well as Yangtze River Economic Zone, will bring about new opportunities for the petrochemical industry. Thus, the petrochemical industry is set to maintain stable development in 2015. Environmental protection and safety has become increasingly important. The safety standards for the petrochemical industry will continue to trend tighter, encouraging application of advanced safety control systems, technologies and equipment. The petrochemical industry will continue to see deepened localization of critical equipment. The control valve segment, also, will see the trend of localization of high-end control valves continue.

As far as the railway sector is concerned, as indicated by Premier Li Keqiang, railway development plays an important role for promoting China's economic growth and efficient public transportation. The investments in the railway industry should remain over RMB800 billion with over 8,000 kilometers of new railway put into operation in 2015. The National Development and Reform Commission approved a number of railway transit projects during 2014 with the total investments amounted to some RMB1,300 billion. China has completed the first round of fundraising for its newly established railway development fund in September 2014. The fund aims to draw social capital, improve rail resource utilization and raise more funds for railway construction. The annual fund amounts to be raised for 2015 will reach RMB300 billion. Exports of railway technology to overseas markets will be accelerated.

The outlook for urban rail transit in China is even more promising. The 22 cities across the country had a total of 101 urban rail transit lines by the end of 2014 with total operation length of 3,155 kilometers. An aggregate of some 4,000 kilometers of urban rail transit lines will be under construction in 40 cities in China in 2015. Urban rail transit planning and construction will bring about persistent growth momentum. At the moment about 50 domestic cities are, and more in the future will be, eligible for urban rail transit development.

The Group aims to maintain its leading position in provision of a wide array of products for the petrochemical, the railway, and other industries. It strives to reinforce its leading position in the petrochemical and railway industries. It seeks to enhance its overall competitiveness further by expanding its product portfolio through more research and development efforts. The Group endeavors to develop proprietary control valve and traction systems to capture the opportunity of localization of industrial products in China.

The Group will stay focused on the petrochemical and railway industries, while actively explore opportunities for application of existing products in other industries. With regard to financial strategy, the Group strives to lower its leverage level so as to save its finance costs.

As far as the petrochemical industry is concerned, the Group will endeavor persistent efforts in high-end control valve research and development to capture the vast opportunities in the localization of industrial products in China. It will further enhance Wuzhong Instrument's overall capability in research and development, sales and marketing, production, as well as internal operation. The Group will extend the applications of safety control systems to the upstream oil and gas field as well as metallurgical, power and other industries. It seeks to increase the revenue contribution from engineering and maintenance services by enhancing after-sale service team and value-added services.

As for the railway business, the Group will enhance research and development for auxiliary and traction related products applied for EMU. It will strive gain more market share in urban rail transit for traction systems.

Leveraging its unique competences, distinguished development strategies and experienced professional management team, the Group will continue to maximize returns for our shareholders and achieve remarkable results.

Xuan Ruiguo
Chairman

Hong Kong
25 March 2015

OPERATION AND BUSINESS REVIEW

In 2014, the Group maintained a leading position in its four core businesses among the two major industries of petrochemicals and railway in China. The Group is the largest integrated solution provider of safety and critical control systems in the petrochemical and coal chemical industries; the largest domestic manufacturer of control valves; one of the largest solution providers of railway signaling systems; one of the qualified suppliers of traction and auxiliary power supply systems in the railway industry in China.

In 2014, the Group continued to undertake various measures to streamline and enhance its operations. The Group implemented a stringent budgetary planning and control system and cost-control measures with an aim to lower its sales and marketing costs as well as operational costs. The Group also rolled out an internal restructuring programme that saw scaling back of the non-profit making business units; retrenching redundant staff so as to enhance the Group's overall operational efficiency and to maintain its competitiveness.

PETROCHEMICAL INDUSTRY

In 2014, the Group's safety and critical control related business stayed resilient against a backdrop of weak economic growth in China and the deep corrections in oil prices that had dampened demand from petrochemical and coal chemical industries. As at 31 December 2014, the Group successfully completed and delivered approximately 457 sets of systems, bringing the cumulative delivered system count to approximately 3,301 sets. The Group continued to secure large-scale projects in 2014 from renowned petrochemical and coal-chemical related companies, including Sinopec, PetroChina, China Coal Energy, and Shenhua Group, etc. In addition, as a qualified vender for GE Oil & Gas, MAN Turbo, Hitachi, Kobelco, Air Product, Air Liquide, Siemens, Atlas Copco, Mitsubishi, Dresser Rand, Elliott-Ebara, and YORK, the Group continued to win new contracts in 2014 from these corporations. Moreover, the Group achieved breakthroughs and secured businesses as it applied its turbine and compressor control systems in the upstream oil and gas pipeline.

With the persistent efforts in research and development, production, sales and marketing, and internal operation, the Group's control valve business achieved moderate organic growth in 2014. The Group's unparalleled capability in provision of engineering and maintenance services constitutes a core competitive advantage in its control valve business. Leveraging years of experiences in this area, the Group's control valve engineering and maintenance services team can undertake plant-wide control valve engineering and maintenance services projects for both its own products and the products supplied by other corporations, including first-tier multi-national corporations. In 2014, not only had the maintenance services made a significant contribution to the Group's overall profit, it also helped secure new orders in connection with replacement of control valves manufactured by other producers.

The Group continued to invest in research and development. Its newly developed high-end products, such as pressure-regulating valves, were warmly received in the market in 2014, substituting systems in the same category supplied by the first-tier multi-national corporations. Years of efforts in research and development enabled the Group to develop a number of several new products and delivered its high-end control valves, including the corrosion-and abrasion-resistant pressure and temperature control valves, for the coal chemical industry in 2014. In addition, the Group achieved remarkable results in the localization of pressure-regulating valves for oil and gas pipeline transportation.

RAILWAY INDUSTRY

The Group's railway signaling business remained sluggish but market share remained in 2014. It continued to win new and complete committed railway signaling system projects. As at 31 December 2014, the Group completed and delivered approximately 181 sets of systems, bringing the cumulative delivered system count to approximately 2,007 sets.

The Group's business of on-board auxiliary power supply systems and related products embarked on a passage of recovery in 2014. Revenue generated from this business increased significantly during the year. It also made a significant progress in the implementation of Guangzhou Subway Line 9 and Nanjing Subway Line 1 traction system projects as a general contractor. With a track record comprising these two projects, the Group enjoys an advantageous position in tapping vast opportunities in the metro market in the future.

DISPOSAL OF 76.7% EQUITY INTEREST IN BEIJING JIAODA MICROUNION

On 23 March 2015, an indirect wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement (the "Agreement") with independent parties to dispose of 76.7% equity interest in Beijing Jiaoda Microunion at a cash consideration of RMB811.65 million. Completion of the Agreement shall be conditional upon the Company having obtained the approval by the shareholders of the Company at an extraordinary general meeting and the transactions contemplated thereunder (including but not limited to the transfer of the 76.7% equity interest in Beijing Jiaoda Microunion) in accordance with the applicable laws, rules and articles of association of the Company. Upon completion of the Agreement, Beijing Jiaoda Microunion will cease to be a subsidiary of the Company and the related assets and liabilities will be derecognised accordingly.

The Directors believe that the railway equipment industry in China has reached its peak and it is expected to be leveled off in the forthcoming years on the basis of their estimation that the "四縱四橫高速鐵路網絡 (four-vertical and four-horizontal high-speed railway network)" getting across the nation in China has substantially been completed in recent years while further construction and development works will be slowing down.

The Directors believe that the consideration of RMB811.65 million is a satisfactory selling price and it is a good chance for the Group to realize its long-term investment in Beijing Jiaoda Microunion, given the fact that the historical cost of acquiring the 76.7% equity interest in Beijing Jiaoda Microunion merely amounted to approximately RMB303.5 million; and the Group had already received a dividend payment of approximately RMB168.7 million since its acquisitions in 2008 and up to the date of this announcement. Based on the financial information of Beijing Jiaoda Microunion as at 31 December 2014, the estimated gain on the Disposal will amount to approximately RMB234.7 million after deduction of the direct related expenses and the effect on income tax for the gain on the Disposal. The net proceeds from the Disposal are estimated to be approximately RMB792.6 million, of which, approximately RMB552.6 million is intended to be used for repayment of the guaranteed notes; and approximately RMB240 million is intended to be applied for general working capital purpose of the Group. The Directors will review the Group's liquidity and gearing positions from time to time, and then allocate appropriate proportion of the net proceeds for such usages as they consider them to be in the best interests of the Group.

FINANCIAL REVIEW

REVENUE

For the year ended 31 December 2014, revenue of the Group decreased by 3.9% to RMB2,218 million (2013: RMB2,308.8 million), compared with that of previous year.

Revenue generated from petrochemical segment shrank by 7.1% to RMB1,624.6 million (2013: RMB1,747.9 million), whereas revenue generated from railway segment increased by 5.8% to RMB593.4 million (2013: RMB560.9 million) for the year ended 31 December 2014.

TURNOVER ANALYSIS BY OPERATING SEGMENT

	For the year ended 31 December				
	2014		2013		Change
	(RMB' million)	**%**	(RMB' million)	%	(%)
Petrochemical	**1,624.6**	**73.2**	1,747.9	75.7	-7.1
Railway	**593.4**	**26.8**	560.9	24.3	+5.8
	2,218.0	**100.0**	2,308.8	100.0	-3.9

TURNOVER ANALYSIS BY TYPES OF GOODS SUPPLIED AND SERVICES RENDERED

	For the year ended 31 December				
	2014		2013		Change
	(RMB' million)	**(%)**	(RMB' million)	(%)	(%)
System sales and Engineering design services					
– Petrochemical					
– safety system	**769.4**	**34.7**	892.3	38.7	-13.8
– control valve (Note)	**671.7**	**30.3**	583.0	25.3	+15.2
– Railway					
– Signaling system	**294.6**	**13.3**	349.4	15.1	-15.7
– Traction system	**199.8**	**9.0**	129.9	5.6	+53.8
Sub-total	**1,935.5**	**87.3**	1,954.6	84.7	-1.0
Provision of engineering and maintenance services	**196.2**	**8.8**	168.5	7.3	+16.4
Distribution of equipment	**86.3**	**3.9**	185.7	8.0	-53.5
Total	**2,218.0**	**100.0**	2,308.8	100.0	-3.9

Note: Control valve system sales included related service income

SYSTEM SALES AND RELATED SERVICES TO PETROCHEMICAL INDUSTRIES

Safety systems and engineering design services

For the year ended 31 December 2014, revenue generated from system sales and engineering design services in relation to petrochemical industries decreased by 13.8% to RMB769.4 million (2013: RMB892.3 million). Such decrease was mainly resulted from the Group's internal re-structuring programme to scaling back the non-profit making and low-margin businesses such as DCS, oil and gas pipeline related businesses.

Control valve

The Group's control valve business delivered satisfactory results and contributed RMB671.7 million (2013: RMB583 million) to the Group's revenue for the year ended 31 December 2014. The control valve business achieved robust organic growth of over 15% and gained more market share. Wuzhong Instrument is now the largest domestic manufacturer of control valves in China.

SYSTEM SALES TO RAILWAY INDUSTRIES

Signalling system

Revenue generated from system sales in relation to signalling system decreased by 15.7% to RMB294.6 million (2013: RMB349.4) due to project delays and therefore delivery slowed down for national railway products.

Traction system

Revenue generated from system sales in relation to traction system significantly increased by 53.8% to RMB199.8 million (2013: RMB129.9). Thanks to China Railway Corporation's resumption of tendering of rolling stock projects after its internal adjustment last year.

PROVISION OF ENGINEERING AND MAINTENANCE SERVICES

For the year ended 31 December 2014, revenue generated from the provision of engineering and maintenance services increased by 16.4% to RMB196.2 million (2013: RMB168.5 million). The management of the Group believes that more recurring income related to maintenance services will be generated as there will be more aged installations needed to be replaced following the end of their product life cycles.

DISTRIBUTION OF EQUIPMENT

For the year ended 31 December 2014, revenue in relation to equipment distribution shrank significantly by 53.5% to RMB86.3 million (2013: RMB185.7 million).

In terms of types of goods and services rendered, 87.3% (2013: 84.7%) of the Group's revenue was generated from system sales, 8.8% (2013: 7.3%) from the provision of engineering and maintenance services and 3.9% (2013: 8.0%) from equipment distribution.

In addition, in terms of operating segment, 73.2% (2013: 75.7%) of the Group's revenue was generated from petrochemical and 26.8% (2013: 24.3%) from railway.

GROSS PROFIT

Gross profit for the year ended 31 December 2014 amounted to RMB761.2 million (2013: RMB828.3 million), representing a decrease of RMB67.1 million or 8.1% over the previous year.

The overall gross profit margin decreased by 1.5% points to 34.3% (2013: 35.8%) for the year ended 31 December 2014.

GROSS PROFIT ANALYSIS BY TYPES OF GOODS SUPPLIED AND SERVICES RENDERED

	For the year ended 31 December		
	2014 (%)	2013 (%)	Change (% Point)
System sales and Engineering design services			
– Petrochemical			
– safety system	**30.1**	29.1	+1.0
– control valve	**29.4**	33.8	-4.4
– Railway			
– Signalling system	**42.0**	47.7	-5.7
– Traction system	**27.7**	32.3	-4.6
Sub-total	**31.4**	34.0	-2.6
Provision of engineering and maintenance services	**57.8**	70.4	-12.6
Distribution of equipment	**45.8**	24.3	+21.5
Total	**34.3**	35.8	-1.5

GROSS PROFIT MARGIN OF SYSTEM SALES AND ENGINEERING DESIGN SERVICES IN RELATION TO PETROCHEMICAL INDUSTRIES

Gross profit margin of system sales and engineering design services

The gross profit margin of safety and critical control system and engineering design services marginally increased by 1% points to 30.1% (2013: 29.1%). Nevertheless, the gross profit margin of this business segment was still low primarily due to (i) the low-margin businesses such as DCS, oil and gas pipeline related businesses; and (ii) further losses were recorded for two overseas metering EPC projects.

Gross profit margin of control valve

The gross profit margin decreased by 4.4% points to 29.4% (2013: 33.8%) due to the marketing strategy to lower price in order to gain additional market share.

GROSS PROFIT MARGIN OF SYSTEM SALES IN RELATION TO RAILWAY INDUSTRIES

Gross profit margin of signalling system

The gross profit margin decreased by 5.7% points to 42% (2013: 47.7%). The narrowed gross profit margin was mainly attributable to the lower level of production during the year.

Gross profit margin of traction system

The gross profit margin decreased by 4.6% points to 27.7% (2013: 32.3%) due to keen market competition.

Gross profit margin of the provision of engineering and maintenance services

The gross profit margin decreased by 12.6% points to 57.8% (2013: 70.4%) due to more hardware replacement during the year.

Gross profit margin of distribution of equipment

For the year ended 31 December 2014, the gross profit margin of the equipment distribution business increased significantly by 21.5% points to 45.8% (2013: 24.3%).

OTHER INCOME

For the year ended 31 December 2014, other income decreased by RMB6.2 million to RMB67 million (2013: RMB73.2 million). This was primarily due to the decrease in the government grants.

OTHER LOSSES

For the year ended 31 December 2014, other losses amounted to RMB84.3 million (2013: other losses of RMB51.2 million). This was mainly attributable to (i) net foreign exchange loss of RMB12.5 million (2013: gain of RMB7.4 million) which was mainly resulted from the execution of a distribution contract denominated in Japanese Yen; (ii) the increase in the allowance for bad and doubtful debts by RMB8.4 million to RMB68.1 million (2013: RMB59.7 million) provided against those aged accounts receivables aged over two years in respect of the clients from the railway industry as well as accounts receivables in relation to non-core petrochemical businesses.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the year ended 31 December 2014 were RMB173.5 million (2013: RMB209.7 million), which decreased by 17.3% year-on-year. Such decrease was mainly attributable to: (i) lower entertainment and travelling expenses; (ii) savings on staff salaries resulted from a reduced headcount and lower management bonus; and (iii) savings on office expenses.

Selling and distribution expenses as a percentage of the Group's full year revenue recorded at 7.8% (2013: 9.1%).

ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December 2014 amounted to RMB256.4 million (2013: RMB277.1 million), representing a decrease of 7.5% year-on-year. Such decrease was mainly attributable to: (i) savings on staff salaries resulted from a reduced headcount and lower management bonus; (ii) lower rental expenses and office expenses; and (iii) lower entertainment and travelling expenses.

In an effort to lower selling and distribution expenses as well as administrative expenses, the Group implemented stringent budgetary planning and control systems as well as undertook various cost control measures.

Administrative expenses as a percentage of the Group's full year revenue recorded at 11.6% (2013: 12%).

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the year ended 31 December 2014 were RMB102.9 million (2013: RMB95.9 million). The research and development projects undertaken were mainly related to development of high-end control valves in response to the Chinese Government's preferential policies regarding localization; turbine machinery control systems for the upstream oil and gas pipeline; development of new signalling related technologies for the railway industry as well as traction systems and auxiliary electricity supply related products for trams.

FINANCE COSTS

Finance costs for the year ended 31 December 2014 decreased by 3.5% to RMB130.4 million (2013: RMB135.1 million). Such decrease was mainly attributable to the lower level of borrowings during the year.

INCOME TAX EXPENSES

Income tax expenses amounted to RMB32.7 million (2013: RMB37.3 million) for the year ended 31 December 2014, which was 12.3% lower than that of the previous year.

However, the effective tax rate of the Group for the year ended 31 December 2014 increased by 10.6% points to 41.1% (2013: 30.5%). This was mainly due to (i) tax losses of holding company and certain subsidiaries not recognised; and (ii) expiry of tax holiday for certain subsidiaries.

PROFIT FOR THE YEAR

As a result of the foregoing, the Group recorded RMB35.3 million in profit attributable to equity holders of the Company for the year ended 31 December 2014 (2013: RMB73.6 million), representing a decline of RMB38.3 million or 52% when compared with that of the previous year.

EARNINGS PER SHARE

Earnings per share decreased by RMB3.73 cents (representing 52%) from that of the previous year to RMB3.44 cents (2013: RMB7.17 cents) for the year ended 31 December 2014.

DIVIDEND

The Board did not recommend the distribution of final dividend (2013: Nil) in respect of the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's liquidity position remains strong.

Net cash generated from the Group's operating activities amounted to RMB205.1 million (2013: RMB329.6 million) for the year ended 31 December 2014. This was mainly attributable to a lower level of advance and deposits received from the customers.

Net cash used in investing activities of the Group decreased by RMB86.2 million to RMB87.2 million (2013: RMB173.4 million) for the year ended 31 December 2014. This was primarily due to (i) net withdrawal (less placement) of pledged bank deposits amounted to RMB22 million for 2014 whereas net placement (less withdrawal) of pledged bank deposits amounted to RMB47.8 million for 2013; and (ii) development costs paid for 2014 amounted to only RMB36.1 million (2013: RMB47.8 million).

Net cash used in financing activities amounted to RMB176.6 million (2013: RMB190.8 million) for the year ended 31 December 2014. There was no significant financing activity for the year ended 31 December 2014.

As at 31 December 2014, cash and bank balances (including pledged bank deposits) amounted to RMB514.1 million (31 December 2013: RMB598 million).

GEARING POSITION

The net gearing (total borrowings less cash over equity) ratio was at 45.1% as at 31 December 2014 (31 December 2013: at 43.7%). As at 31 December 2014, the total borrowings of the Group amounted to RMB1,507.6 million (31 December 2013: RMB1,544.3 million). The total borrowings mainly comprised the guaranteed notes which amounted to RMB1,160.8 million (equivalent to USD192 million) issued in April 2011.

SIGNIFICANT INVESTMENTS, MERGERS AND ACQUISITIONS

For the year ended 31 December 2014, the Group had no significant investments, mergers and acquisitions.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no material contingent liabilities.

FUTURE OUTLOOK

Upon disposal of of 76.7% equity interest in Beijing Jiaoda Microunion, the Group will continue to be principally engaged in its existing business activities, other than the business of design, development and sales of signaling system to the national railway. The Directors believe that the disposal would not lead to the Group's business operation/development materially deviating from its original core businesses in the future. The Group will strive to maintain its leading position in the petrochemical and railway industries, where it operates its core businesses namely safety and critical control systems and control valves in the petrochemical and coal chemical industries; railway signaling systems in the non-national and industrial railways; traction and auxiliary power supply systems in the railway industry in China.

For the petrochemical segment, the Group will continue to focus on developing its control valve business and enhance further its overall competitive advantages in research and development, sales and marketing, production, and internal operation. The Group will continue to develop high-end control valves to tap opportunities from the localization policies of industrial products in China. In addition, the Group will sustain efforts in extending applications of its safety control systems to the upstream oil and gas sectors as well as metallurgical, power, nuclear and other industries. Meanwhile, the Group seeks to increase revenue contribution from its recurring engineering and maintenance services with a better service team and more value-added service offerings.

For the railway segment, the Group will develop its traction and auxiliary power supply system business further. The Group will endeavor additional efforts in securing more urban rail transit traction system projects.

Leveraging the robustness in its cores businesses of safety and critical control systems, control valves, and traction and auxiliary power supply systems, the Group strives to maximize return for shareholders.

INVESTOR RELATIONS REPORT

In the year of 2014, with the guidance of "high-quality, sustainable and strategic development", the Group continued to adopt a proactive and open approach while taking effective cost control measures to conduct most extensive information exchanges and communication with investors, so that they could have better knowledge and understanding of the Group's future development strategy, operational situation and financial performance. Such efforts enhanced the transparency of the Group in the capital market and offered strong support to the Group's investors to make informed and reasonable investment decisions.

On the basis of fair disclosure, the Group has maintained sincere and timely communication with investors through various channels to report the Group's latest development:

– Interim and annual results announcement

– Road shows

– Investment forums

– Publicity through the mass media

– Continually arranging meetings between senior management and investors and site visits to the Group's facilities and customer sites

– Prompt response to investor enquiries

– The Group's website

– Strive to enlarge the research coverage

In 2014, the Group's top management and IR team participated in the investment forums for 14 times, as well as different road shows. The team paid visit to the Group's shareholders and potential investors in Hong Kong, Shanghai, Beijing and Shenzhen, so as to inform and update them about the Group's latest developments. Meanwhile, the Group has hosted site visits for more than 200 investors in Hong Kong and Beijing during the period, during which visitors could witness the Group's stable growth with their own eyes.

In 2015 and onwards, the Group will continuously enhance investor relations. The senior management of the Group will consistently support investor relations, and the Group will persistently make transparent disclosures.

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Xuan Rui Guo (宣瑞國), aged 46, the Group's founder, Executive Director and Chairman, is mainly responsible for the overall strategic, financial planning and long-term development. Mr. Xuan is also one of the winners of Ernst & Young Entrepreneur of The Year 2009 China. Mr. Xuan graduated from Renmin University of China (中國人民大學) with a bachelor's degree in international politics. He is an incumbent director of Yabuli Entrepreneur Association and Deputy Chairman of China Instrument and Control Society. He has extensive experience in management, administration and business development in different industries including industrial automation, biotechnology, telecommunication and trading in the PRC. He previously served as General Manager of Boda Telecommunication and Electronics Company Ltd. in Yunnan, China; Manager of Beijing Invention Biology Company Ltd. and General Manager of Beijing Consen Automation Control Co., Ltd., etc.

Mr. Kuang Jian Ping (匡建平), aged 51, the Group's co-founder, Executive Director and Chief Executive Officer, is mainly responsible for the Group's daily operations as well as merger and acquisition strategies. Mr. Kuang holds a master's degree in mechanical engineering from Dalian University of Technology (大連理工大學). He has over 15 years of experience in sales and marketing as well as management in the instrument and automation business in the chemical and petrochemical industries in China. Mr. Kuang previously served as Sales Manager of Instrumentation Technology Company of Dalian University of Technology where he was responsible for trading instruments and automation systems. He had also served as Sales Manager and subsequently Deputy General Manager of a subsidiary of China Chemical Industry Equipment and Instrumentation Company in Hainan Province where he was responsible for trading chemical equipment and instruments. Besides, Mr. Kuang had served as Deputy General Manager of Beijing Consen Automation Control Co., Ltd., where he was in charge of sales and marketing.

Mr. Huang Zhi Yong (黃志勇), aged 48, is a co-founder of the Group and Executive Director. He is also the head of the Group's software development team. He is in charge of the internal operations of the Group including R&D, financial management and customer service. Mr. Huang holds a master's degree in mechanical engineering from Dalian University of Technology (大連理工大學). He has over 4 years of experience in mechanical engineering research and development, and over 12 years of experience in managing corporate operations, automation engineering and trading. Mr. Huang worked for the Machinery Research Institute of Sinopec Tianjin Petrochemical Corporation and had served as Deputy General Manager of Beijing Consen Automation Control Co., Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Wang Tai Wen (王泰文), aged 68, is an Independent Non-executive Director of the Group since January 2008 while serving as External Director of China National Foreign Trade Transportation (Group) Corporation. He had also held various managerial positions in Ziyang Internal Combustion Locomotive Plant; served as Chairman, General Manager and Secretary to Communist Party Committee of China National Railway Locomotive Corporation; and as Chairman and Secretary to Communist Party Committee of China Southern Locomotive Industrial Group Corporation (中國南方機車車輛工業集團). In November 2006, Mr. Wang joined China Railway Engineering Group Company Limited (中鐵工) as External Director. According to "Notice on Board of Directors of Wholly State-Owned Companies" issued by State-owned Assets Supervision and Administration Commission of the State Council, as External Director of China Railway Engineering Group Company Limited, Mr. Wang's main responsibilities are to attend meetings of its board of directors and to make decision in his capacity as a director. He did not participate in any daily operation at both China Railway Engineering Group Company Limited, and companies under the group. He graduated from Dalian Railway Institute (中國大連鐵道學院), China, majoring in machinery and manufacturing.

Mr. Sui Yong-bin (隋永濱), aged 73, is an Independent Non-executive Director since July 2011. Mr. Sui earned a bachelor's degree in chemical and mechanical engineering in 1965. He had served as Commissioner and Deputy Director of Department of Machinery Industry from 1965 to 1997. From 1997 to 2000, he was Deputy Chief Engineer (bureau level) of Machinery Industry Bureau of China, and had also served as Dean of Machinery Industry Information Research Institute and Publisher of Machinery Industry Publishing House. Mr. Sui was Chief Engineer and a member of Specialized Committee of China Machinery Industry Federation from 2000 to 2008. From 2008 to present, he has been serving as Special Consultant of China Machinery Industry Federation. Mr. Sui has long been engaging in the industry in areas such as machinery industry technology, planning, research and development of major technologies and equipment in a management capacity. Mr. Sui has also been serving as President of China General Machinery Industry Association since 1995. Mr. Sui has been an independent director of Xi'an Shangu Power Co., Ltd. (西安陝鼓動力股份有限公司) since April 2010, External Director of Harbin Air Conditioning Co., Ltd. (哈爾濱空調股份有限公司) since May 2008 and External Director of Jiangsu Shuangliang Air-conditioning Equipment Co., Ltd (江蘇雙良空調設備股份有限公司) since July 2010.

Mr. Ng Wing Fai (吳榮輝), aged 56, is an Independent Non-executive Director since June 2007. He has over 15 years of experience in audit, taxation and consultancy in government and non-government institutes. Mr. Ng holds a bachelor's of arts degree in accountancy and a master's degree of arts in international accounting from City University of Hong Kong. He also holds a postgraduate diploma in UK and Hong Kong law from The Manchester Metropolitan University. He is a fellow member of Hong Kong Institute of Certified Public Accountants, an associate member of Institute of Chartered Accountants in England and Wales, a council member of Society of Chinese Accountants & Auditors, and a member of Hong Kong Securities Institute.

SENIOR MANAGEMENT

Mr. Cui Da Chao (崔大潮), aged 58, is Chief Financial Officer of the Group. He is primarily responsible for overseeing the Group's financial planning and control, accounting and financial affairs. Prior to joining the Group in 2004, Mr. Cui served as an executive director and financial manager at a Canadian company principally engaged in trading of chemical raw materials. From 1999 to 2001, he was a partner and deputy general manager of a PRC accountancy firm. He graduated from Xiamen University (廈門大學), China, with a specialization in international accounting.

Mr. Zhou Zheng Qiang (周政強), aged 49, Senior Vice President of the Group, is primarily responsible for overseeing marketing development of the Group. He graduated with a bachelor's degree in process automation from the Department of Chemical Engineering in Zhejiang University (浙江大學) and also holds a Certificate of Senior Automation Engineer in China. He had served in China Hua Lu Engineering company for 15 years from 1988 to 2002. From April 2002 to January 2006, he was the general manager of Xian Lan Qi Control System Engineering Company Ltd (西安籃溪控制系統工程有限責任公司). He joined the Group in February 2006.

Mr. Jiang Yi (姜毅), aged 42, Vice President of the Group. He is primarily responsible for overseeing operations. He graduated with a bachelor's degree in opto-electronics engineering from Beijing Institute of Technology (北京理工大學) and earned his MBA from Guanghua School of Management in Peking University (北京大學) and obtained the Master of management from ESSEC Business School in France. From 2004 to 2011, he was in charge of post-Merger integration in Lafarge China and risk control in Lafarge Group. Prior to that, he had served in China South Industries Group Corporation. He joined the Group in January 2012.

Mr. Duan Min (段民), aged 48, Vice-president of the Group. He is primarily responsible for overseeing the supply chain department of the Group. He graduated with a bachelor's degree in automation of chemical engineering in Dalian University of Technology (大連理工大學). He has over 16 years of experience working in the automation systems and instruments industry China. He joined the Group in May 1999.

Mr. Chen Yong (陳勇), aged 47, is General Manager of Beijing Consen Automation Control Company Limited. Prior to joining the Group in 2003, Mr. Chen worked in manufacturing management and sales at Shanghai Foxboro Company Limited. From 1990 to 1992, he worked in a textile mill in Shanghai. He graduated from Shanghai Technology College of Metallurgy (上海冶金高等專科學校) with a specialization in computer applications, and from University of Science and Technology Beijing (北京科技大學) with a specialization in engineering management.

Mr. Ma Yu Shan (馬玉山), aged 46, is General Manager of Wuzhong Instrument Co., Ltd since 2006. In 2009, he graduated from Xi'an University of Technology (西安理工大學), majoring in instrumentation, and earned a PhD in engineering and Special State Allowance Scholar. In 2001, he was named a National Youth Station Expert. In 2002, he won the National Youth Creativity and Efficiency Award. In 2011, he received a national science and technology prize in the 11th Five year Plan of China for his outstanding contributions. In 2013, he was named a China youth science and technology innovation talent. From 1991 to 2001, Mr. Ma was a technician and Director of the technology department in Wuzhong Instrument Co., Ltd.. During the period between 2001 and 2006, served as Deputy General manager of Wuzhong Instrument Co., Ltd.

Ms Wang Yan Mei (王彥梅), aged 74, is Chairman and General Manager of the Beijing Haidian ZhongJing Engineering Software Technologies Ltd. She graduated from the mechanical engineering department at Beijing Institute of Petroleum in 1964, majoring in oil storage and transportation. Then she served in a position of Beijing Design Institute, the Ministry of Petroleum Industry. From 1973 to 1998, she served as Vice President of Beijing Design Institute of China Petrochemical Corporation. She has been Chairman of National Survey and Design Industry Computer Applications Association under the Ministry of Construction (建設部中國勘察設計協會全國勘察設計行業計算機應用協會) since 1985.

Mr. Tian Lei (田磊), aged 51, General Manager of Nanjing Huashi Electronic Tech. Co., Ltd. In 1985, he graduated from Central South University (中南大學), majoring in locomotive engineering, and was awarded a master's degree in 1988 from Tongji University. From April 1988 to 1996, he served as an engineer, senior engineer and project manager of Zhuzhou Electric Locomotive Research Institute (株洲電力機車研究所). From April 1996 to 1998, he served as the chief of human resource division. From 1998 to 2000, he served as Deputy Director of Zhuzhou Electric Locomotive Research Institute. Subsequently, from 2000 to 2007, he successively served as Vice President and Secretary of Party Committee of Zhuzhou Times Group, and meanwhile he was Secretary of Party Committee and Deputy Director of Zhuzhou Electric Locomotive Research Institute, President and Deputy chairman of Zhuzhou Times Electric Co., Ltd. (株洲時代電氣, listed in Hong Kong). From November 2007 to August 2009, he served as the general manager of locomotive department and Deputy Chief Engineer of CSR Corporation Limited (中國南車集團). From August 2009, he served as the general manager of oversea business department and import and export company, Deputy Chief Engineer of CSR Corporation Limited. He joined the China Automation Group in 2011.

Mr. Wang Jing Hua (王景華), aged 52, is President of Beijing Consen Oil and Gas Engineering Co., Ltd.. He graduated from School of Technology and Business Management of Renmin University of China (中國人民大學) with a MBA. From 1988 to 2002, he served as Director and General Manager of Taxinan Petrochemical Thermal Power Plant of Xinjiang Petroleum Administration Bureau and Beijing Feida Gas Turbine Engineering Corporation, respectively. During the period between 2002 and 2006, he served as Deputy General Manager of Beijing Kang Bosen Gas Turbine Engineering Co. Ltd. In 2007, he served as Chief Executive Officer of Hong Kong Feilite International, LLC. Mr. Wang joined the Group in 2008 and seconded to Beijing Consen Oil and Gas Engineering Co., Ltd. as General Manager in September 2011.

Mr. Lu Ming Yi (魯明義), aged 50, is General Manager of Beijing Consen Oil and Gas Engineering Co., Ltd.. He graduated from School of Nanjing Aeronautical University (南京航空航天大學), with a bachelor's degree in design of instrument and transducer, aeronautical I&C. From August 1987 to February 1993, he served as a gas turbine engineer in Liming Aero-engine Manufacturing Company. From March 1993 to February 1997, he served as Deputy General Manager for operations and maintenancein Zhuhai Power Development Company. From March 1997 to January 2002, he served as Deputy General Manager of AES Corporation, and took charge of Sino-America joint venture power plants. From February 2002 to December 2003, he served as General Manager in UFTC Information Technology Company, Zhuhai. From January 2004 to August 2006, he served as Chief Engineer in Beijing Kang Bosen Gas Turbine Engineering Co., Ltd. From September 2006 to February 2010, he served as deputy chief engineer in China Aeronautical Industrial Gas Turbine (Group) Company. He joined the Group in 2010.

Mr. William Erik Barkovitz, aged 44, is President of the Group's US operations, Inovex Corporation. He graduated from University of California, Irvine in 1993 with a bachelor's degree in Applied Physics. Upon graduation, he started his career in control and automation. From 1994 to 2005, Mr. Barkovitz worked for Triconex Corporation, a division of Invensys. Triconex is a global leading supplier of safety, critical control, and turbomachinery systems for the process industries. He served as Sales Director of Northern Asia Pacific, based in Singapore from 1995-1998, General Sales Manager of Europe, Middle East, and Africa from 1998-2001, base in the UK. In 2001, Mr. Barkovitz moved to the Triconex corporate headquarters in Irvine, California to assume the position of Vice President Marketing. He moved to a start-up company in 2005, ORYXE Energy International, as Vice President of Marketing. ORYXE Energy develops emissions reduction chemical technologies for oil refiners and fuel distributors. In 2007, he left ORYXE Energy in order to form the first US corporate entity of China Automation Group called Inovex.

Ms. Dong Yan (董艷), aged 47, is President's Assistant of the Group. Ms. Dong joined the Group in September 2003. She graduated from Tsinghua University with a bachelor's degree in chemical engineering. From 1990 to 1993, Ms. Dong was a production planning officer of Beijing Chemical Industry Group. From 1993 to 2003, she served at Beijing Chemical Group Import and Export Co., Ltd. as a department manager. In China Automation Group Co., Ltd., Ms. Dong is in charge of the Board of Directors, legal issues and business administration affairs.

Mr. Chow Chiu Chi (周昭智), aged 56, is the Group's Finance Director and Company Secretary. He joined the Group in June 2006. He graduated from Hong Kong Polytechnic University with a bachelor's degree of arts in Accountancy. He is an associate member of The Chartered Institute of Management Accountants and a fellow member of Hong Kong Institute of Certified Public Accountants. He also obtained a master's degree in business administration from Hong Kong Polytechnic University. He has over 30 years of experience in finance, accounting and internal audit.

DIRECTOR'S REPORT

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSES OF OPERATIONS

The Company is an investment holding company. The Group is engaged in the provision of safety and critical control system specialized for petrochemical and railway industries, along with related maintenance and engineering services.

The activities of the Group are mainly based in the People's Republic of China (the "PRC"). Analyses of the Group's revenue and contribution to operating result by principal activities and by principal markets are set out in notes 5 and 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of comprehensive income on page 34 of this annual report.

DIVIDEND

The Board did not recommend the distribution of final dividend (2013: Nil) for the year ended 31 December 2014.

CLOSURES OF REGISTER OF MEMBERS

In order to qualify for attending and voting at the forthcoming annual general meeting, the register of members of the Company will be closed from Friday, 22 May 2015 to Thursday, 28 May 2015 (both dates inclusive), during such period no transfer of shares of the Company will be registered. For determining the entitlement of the aforementioned proposed, the unregistered holders of shares of the Company should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183, Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 21 May 2015.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 102 of this annual report. The summary of results is for comparative purposes only, and does not form an integral part of the audited financial statements.

DISTRIBUTABLE RESERVES

Movements in the reserves of the Group during the year ended 31 December 2014 are set out on page 37 of this annual report. As at the balance sheet date, the Company's distributable reserves amounted to RMB1,004,535,000 (2013: RMB1,007,616,000), subject to the applicable statutory requirements under the laws of the Cayman Islands.

SHARE CAPITAL

Details of movements of the share capital of the Company during the year ended 31 December 2014 is set out in note 34 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

Charitable contribution made by the Group during the year ended 31 December 2014 amounted to RMB100,000 (2013: RMB700,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2014 are set out in note 48 to the consolidated financial statements.

EMPLOYEES

As at 31 December 2014, the Group had a total of 2,813 employees (31 December 2013: 2,966). The decrease in staff headcount was mainly attributable to the business restructuring programme that saw scaling back of the non-profit making business units; retrenching redundant staff so as to enhance the Group's overall operational efficiency and to maintain its competitiveness.

The emoluments payable to the employees of the Group are determined by their responsibilities, qualifications, performance and experience and the related industrial practices.

DIRECTORS

The Directors during the year and as at the date of this report were:

EXECUTIVE DIRECTORS

Mr. Xuan Rui Guo
Mr. Huang Zhi Yong
Mr. Kuang Jian Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Tai Wen
Mr. Sui Yong Bin
Mr. Ng Wing Fai

Pursuant to article 87 of the articles of association of the Company, Mr. Xuan Rui Guo and Mr. Ng Wing Fai shall retire from office by rotation at the forthcoming annual general meeting of the Company and shall be eligible for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is of a duration exceeding three years or which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

The emoluments payable to the Directors are based on terms of their respective service contracts with the Company. The Directors' fee payable is subject to annual assessment and approval by the Board and shareholders of the Company at annual general meetings. Details of the emoluments paid and payable to the Directors for the year ended 31 December 2014 are shown in note 12 to the consolidated financial statements.

The contributions to pension schemes for the Directors for the year ended 31 December 2014 are disclosed in note 12 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management of the Group are set out on pages 19 to 21 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its holding company, its fellow subsidiaries or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the share option scheme of the Company as disclosed in note 43 to the consolidated financial statements, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Hong Kong Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(I) LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Personal interest	Family interest	Corporate interest	Other interest	No. of shares Interest in underlying shares pursuant to share options (Note 2)	Total	Approximate percentage of shareholding
Mr. Xuan Rui Guo	1,000,000	–	457,933,541 (Note 1)	–	3,100,000	462,033,541	45.02%
Mr. Huang Zhi Yong	–	–	–	–	4,380,000	–	0.43%
Mr. Kuang Jian Ping	–	–	–	–	4,380,000	–	0.43%
Mr. Wang Tai Wen	–	–	–	–	200,000	–	0.02%
Mr. Ng Wing Fai	–	–	–	–	200,000	–	0.02%

Notes: (1) Consen Group Holdings Inc. ("Consen Group") was the legal and beneficial owner of 457,933,541 Shares. Consen Group was owned as to 93.80% by Consen Investments Holding Inc. ("Consen Investments"), which was in turn owned as to 50%, 25% and 25% by Mr. Xuan Rui Guo ("Mr. Xuan"), Mr. Huang Zhi Yong ("Mr. Huang") and Mr. Kuang Jian Ping ("Mr. Kuang") respectively, and owned as to 6.20% by Gembest Investment Limited ("Gembest"). Accordingly, Mr. Xuan was deemed to be interested in the 457,933,541 Shares held by Consen Group by virtue of the SFO.

(2) Certain Directors have been granted share options under a share option scheme. Details of the share option scheme are set out in the section headed "Share Option Scheme" below.

(II) LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATIONS

Name of associated corporation	Name of Directors	Personal interest	Family interest	Corporate interest	No. of shares Interest in underlying shares pursuant to share options	Total	Percentage of shareholding
Consen Investments	Mr. Xuan	3,000,000	–	–	–	3,000,000	50%
	Mr. Huang	1,500,000	–	–	–	1,500,000	25%
	Mr. Kuang	1,500,000	–	–	–	1,500,000	25%
Consen Group (Note)	Mr. Xuan	–	–	5,000,000	–	5,000,000	93.8%

Note: Consen Investments was the legal and beneficial owner of 5,000,000 shares in Consen Group. Consen Investments was legally and beneficially owned as to 50% by Mr. Xuan, 25% by Mr. Huang and 25% by Mr. Kuang. Accordingly, Mr. Xuan was deemed to be interested in the 5,000,000 shares held by Consen Investments in Consen Group.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive were taken or deemed to have under the provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the interests of persons (not being a Director or chief executive of the Company) in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Percentage of holding
Consen Group	Registered & beneficial owner	457,933,541	44.62%
Consen Investments (Note)	Interest in a controlled corporation	457,933,541	44.62%

Note: Consen Group was owned as to 93.80% by Consen Investments and 6.20% by Gembest. Therefore, Consen Investments was deemed to be interested in such 457,933,541 shares held by Consen Group under the SFO.

All the interests stated above represent long positions.

Save as disclosed above, as at 31 December 2014, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 16 June 2007 for the primary purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the following participants: (i) any executive or non-executive Directors including independent non-executive Directors or any employees (whether full-time or part-time) of each member of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive Directors of each member of the Group; (iii) any consultants, professional and other advisers to each member of the Group (or persons, firms or companies proposed to be appointed for providing such services); (iv) any chief executives of the Company or substantial shareholders of the Company; (v) any associates of directors, chief executive or substantial shareholder of the Company; and (vi) any employees (whether full-time or part-time) of substantial shareholders of the Company. The Scheme will remain valid for a period of ten years commencing on 16 June 2007.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the total number of shares of the Company in issue as at 29 May 2013 (being 102,626,372 shares), the date of approving refreshment of scheme mandate limit by an ordinary resolution of the shareholders of the Company.

The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted to substantial shareholders of the Company or independent non-executive Directors in any 12-month period in excess of 0.1% of the Company's share capital in issue and with an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

An amount of HK$1 is payable by participants on acceptance of the option as consideration for the grant within 28 days from the date upon which the offer is made. Options may be exercised at any time from twelve months from the date of grant of the share option to the five anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

On 25 July 2014, the board resolved to grant 102,626,000 share options to selected grantees under the share option scheme adopted by the Company on 16 June 2007. Among the 102,626,000 share options, 12,260,000 share options and 90,366,000 share options were granted (subject to acceptance) to the Directors and to the employees of the Company respectively as follows:

		Number of Share Options							
Name of grantee	Date of grant	Exercise price per share *(HK$)*	As at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 Dec 2014	Note
Mr. Xuan Rui Guo	25/7/2014	HK$1.6	–	3,100,000	–	–	–	3,100,000	1, 2
Mr. Huang Zhi Yong	25/7/2014	HK$1.6	–	4,380,000	–	–	–	4,380,000	1, 2
Mr. Kuang Jian Ping	25/7/2014	HK$1.6	–	4,380,000	–	–	–	4,380,000	1, 2
Mr. Wang Tai Wen	25/7/2014	HK$1.6	–	200,000	–	–	–	200,000	1, 2
Mr. Ng Wing Fai	25/7/2014	HK$1.6	–	200,000	–	–	–	200,000	1, 2
Employees	25/7/2014	HK$1.6	–	90,366,000	–	–	–	90,366,000	1, 2
Total				102,626,000				102,626,000	

Note:

(1) The options have a validity period from 25 July 2014 to 24 July 2018. None of the share options is exercisable during the period from 25 July 2014 to 24 July 2015.

The share options will be exercisable in the following manner:

(i) up to one third of the Share Options will become exercisable commencing on 25 July 2015;

(ii) up to one third of the Share Options will become exercisable commencing on 25 July 2016;

(iii) up to one third of the Share Options will become exercisable commencing on 25 July 2017;

provided that the relevant performance targets are achieved, and the closing price of the Share on the trading day immediately preceding the date of exercise is HK$2.4 or above.

(2) The closing price of the shares of the Company immediately before the date on which the options were granted (i.e. as of 24 July 2014) was HK$1.62.

The fair value of the share options granted by the Company under the Scheme is set out in note 43 to the consolidated financial statements.

The above grant of share options has been approved by the independent non-executive Directors (save that each of the independent non-executive Directors has abstained from approving the resolution relating to the grant of share options to himself) and is not subject to approval by shareholders of the Company under Rule 17.04(1) of the Listing Rules.

As at 31 December 2014 and as at the date of this annual report, no options was exercised.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2014, the Company has not repurchased any of its shares on the Stock Exchange.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the Cayman Islands in respect of the Company's share capital.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and revenue for the year ended 31 December 2014 attributable to the Group's major suppliers and customers respectively are as follow:

	2014	2013
	%	%
Purchases		
– the largest supplier	**15.0**	12.7
– the five largest suppliers combined	**28.6**	26.2
Revenue		
– the largest customer	**8.9**	10.3
– the five largest customers combined	**28.4**	35.9

None of the Directors, their associates, or shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) held any interests in the five largest suppliers or customers noted above.

SUBSEQUENT EVENT

Details of the subsequent event are disclosed in note 46 to the consolidated financial statements.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and considers the independent non-executive Directors to be independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of the annual report, it is confirmed that there is sufficient public float of the Company's issued shares in the market.

AUDIT COMMITTEE

The Company has set up an audit committee in accordance with the requirements of Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The consolidated financial statements of the Group for the six months ended 30 June 2014 and the year ended 31 December 2014 and the related disclosures have been reviewed and approved by the audit committee.

AUDITORS

The consolidated financial statements have been audited by Deloitte Touche Tohmatsu Certified Public Accountants who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Xuan Rui Guo
Chairman
Hong Kong, 25 March 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures which serve as an important element of risk management throughout the growth and expansion of the Company. The Company emphasizes on maintaining and carrying out sound, solid and effective corporate governance principles and structures.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with all of the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2014.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company has made specific enquiries of all the Directors, and all of them had confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2014.

BOARD OF DIRECTORS

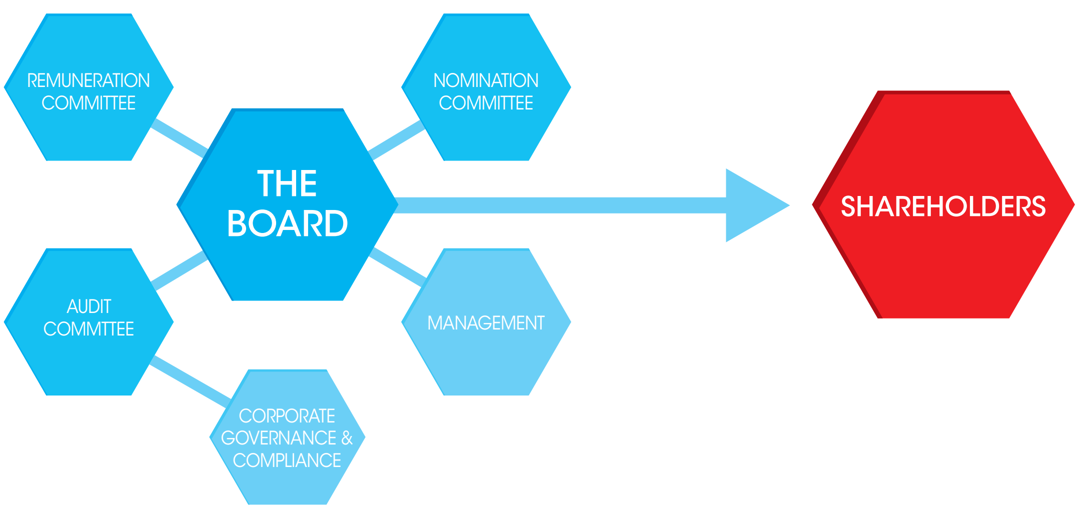
The overall management of the Company's business is vested in the Board. The Board has delegated the day-to-day management of the Company's business to the executive management team, and focuses its attention on matters affecting the Company's overall strategic policies, finances and shareholders. Major responsibilities of the Board include approving the Company's overall business, financial and technical strategies, setting key performance targets, approving budgets and overseeing the performance of management.

As at the date of this annual report, the Board comprised six members, consisting of three executive Directors, namely Mr. Xuan Rui Guo (the chairman), Mr. Huang Zhi Yong and Mr. Kuang Jian Ping (the chief executive officer); and three independent non-executive Directors, namely Mr. Wang Tai Wen, Mr. Sui Yong Bin and Mr. Ng Wing Fai. The roles of the chairman and chief executive officer are segregated. The profile of all the Directors, including the chairman, executive Directors and independent non-executive Directors, are set out on pages 19 to 20 of this annual report. The relationship among members of the Board (including financial, business, family or other material or relevant relationships, if any) are also disclosed.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the Listing Rules, and considers all of the independent non-executive Directors to be independent.

Four Board meetings were held during the Relevant Period. Directors actively participated in each meeting in person or via telephone conferencing. Directors received reports on the activities of the operating divisions and present papers supporting decisions which required the Board approval. The Board consents were given by vote at the Board meetings.

If a Director has conflict of interest in a transaction or proposal to be considered by the Board and which the Board has determined to be material, the individual Director concerned declares his interest and is required to abstain from voting. The matter is considered at a Board meeting attended by independent non-executive Directors who have no material interest in the transaction.



Details of the attendance of Directors at these Board meetings, committee meetings (the audit committee, the remuneration committee and the nomination committee) and general meetings in the Relevant Period are set out in the following table:

	Meetings attended/Meetings held (during director's tenure)				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**AGM**
Executive Directors					
Mr. Xuan Rui Guo	4/4	N/A	1/1	1/1	0/1
Mr. Huang Zhi Yong	4/4	N/A	1/1	N/A	1/1
Mr. Kuang Jian Ping	4/4	N/A	N/A	1/1	0/1
Independent non-executive Directors					
Mr. Wang Tai Wen	4/4	2/2	1/1	1/1	0/1
Mr. Ng Wing Fai	4/4	2/2	1/1	1/1	1/1
Mr. Sui Yong Bin	4/4	2/2	1/1	1/1	0/1

Minutes of Board meetings are taken by the company secretary and, together with any supporting documents, are available to all the Directors. Draft and final versions of the minutes are sent to all the Directors for their comment and record respectively.

All the Directors have access to the services of the company secretary who regularly updates the Board on governance and regulatory matters.

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure proper understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. The participation by individual Directors in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2014 is recorded in the table below.

Name of Director	**Reading regulatory updates**	**Attending external seminars/ programmes**
Executive Directors		
Mr. Xuan Rui Guo	✓	✓
Mr. Huang Zhi Yong	✓	✓
Mr. Kuang Jian Ping	✓	✓
Independent non-executive Directors		
Mr. Wang Tai Wen	✓	✓
Mr. Ng Wing Fai	✓	✓
Mr. Sui Yong Bin	✓	✓

AUDIT COMMITTEE

The Audit Committee was established in June 2007 and its current members include:

Mr. Ng Wing Fai *(Committee Chairman)*
Mr. Sui Yong Bin
Mr. Wang Tai Wen

The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in legal, business and accounting on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference which describe the authority and duties of the Audit Committee were approved and adopted on 30 March 2012 to conform to the provisions of the Code and the Listing Rules, a copy of which is posted on the Company's website.

The Audit Committee meets regularly to review the Group's financial reporting and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectively of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

The Audit Committee met twice during the Relevant Period to review and discuss internal controls and financial reporting matters including a review of the financial statements for the six months ended 30 June 2014 and the year ended 31 December 2014.

REMUNERATION COMMITTEE

The Remuneration Committee was established in June 2007 and the current members include:

Mr. Wang Tai Wen *(Committee Chairman)*
Mr. Sui Yong Bin
Mr. Ng Wing Fai
Mr. Xuan Rui Guo
Mr. Huang Zhi Yong

The Remuneration Committee advises and makes recommendations to the Board on the Group's overall policy and structure for the remuneration of Directors and senior management. The Remuneration Committee ensures that no Director or any of his associate is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee were approved and adopted on 30 March 2012 to conform to the provisions of the Code, a copy of which is posted on the Company's website.

In determining the emolument payable to Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and the desirability of performance-based remuneration.

The Remuneration Committee meets regularly to determine the policy for the remuneration of Directors and assess performance of executive Directors and certain senior management. One Remuneration Committee meeting was held during the Relevant Period and all members had attended in the meeting.

NOMINATION COMMITTEE

The Nomination Committee was established in June 2007.

The Nomination Committee comprises five members include:

Mr. Sui Yong Bin *(Committee Chairman)*
Mr. Ng Wing Fai
Mr. Wang Tai Wen
Mr. Xuan Rui Guo
Mr. Kuang Jian Ping

The written terms of reference which describe the authority and duties of Nomination Committee were approved and adopted on 30 March 2012 to conform to the provisions or the Code and the Listing Rules, a copy of which is posted on the Company website.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of the independent non-executive Directors.

The Nomination Committee reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

The Board adopted a board diversity policy for the Company in August 2013 which stipulates that for selection of candidates to become Directors, the Nomination Committee should based on a range of diversity perspectives, including but not limited to age, experience, cultural and educational background, expertise, skills and know-how. The Board diversity policy is available on the website of the Company. The Committee will review the policy to ensure its effectiveness.

In accordance with the Articles of Association, Mr. Xuan Rui Guo and Mr. Ng Wing Fai, shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting.

The Nomination Committee recommended the re-appointment of the Directors standing for re-election at the next forthcoming annual general meeting of the Company.

AUDITORS' REMUNERATION

For the year ended 31 December 2014, the fees charged by the Company's auditors in respect of audit and non-audit (taxation) services amounted to approximately RMB3,475,000 (2013: RMB3,446,000) and RMB350,000 (2013: RMB160,000) respectively.

COMPANY SECRETARY

Mr. Chow Chiu Chi is the company secretary of the Company. Mr. Chow is an associate member of the Chartered Institute of Management Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. In compliance with Rule 3.29 of the Listing Rules, Mr. Chow has undertaken no less than 15 hours of relevant professional training during the Relevant Period.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE ACCOUNTS

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance and prospects. The Directors are responsible for the preparation of accounts which give a true and fair view of the state of affairs and of the results and cash flows of the Group on a going concern basis. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently and that judgments and estimates made are prudent and reasonable. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. The responsibilities of the auditors for the accounts are set out in the Independent Auditor's Report on page 33 of this annual report. The Directors are not aware of material uncertainties relating to events or conditions that might cast significant doubt upon the company's ability to continue as a going concern.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. In this connection, the management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; ensuring the maintenance of proper accounting records for internal use or for publication; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors. The Board reviewed the effectiveness of the Group's internal control system for the year ended 31 December 2014.

COMMUNICATION WITH SHAREHOLDERS

The Group believes that effective communication with investors in developing of business is essential. Since the listing of the Company in July 2007, it has devoted itself to strengthen the good communication with all shareholders, investors, analysts and public media all the time in order to enhance the level of corporate governance.

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are printed and sent to all shareholders. Press releases are posted on the Company's website www.cag.com.hk, which is constantly being updated in a timely manner, and so contains additional information on the Group's business activities.

The Directors have been continuing to put their utmost effort to develop the direct communication channels with all investors to deepen their understanding in business, strategy and future development of the Group.

SHAREHOLDERS' RIGHTS

PROCEDURES FOR CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Under Article 58 of the Articles of Association of the Company, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of the deposit of such written requisition the Board fails to proceed to convene such general meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

To put forward a proposal at the general meeting of the Company (the "Proposal"), a shareholder should lodge at the principal place of business of the Company in Hong Kong at Unit 3205B-3206, 32nd Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai Hong Kong, a written notice setting out (i) information of the shareholder and his/her/its contact details and (ii) details of the Proposal and relevant supporting documents.

MAKING ENQUIRIES TO THE BOARD

Shareholders may send written enquiries, either by post or by facsimiles, together with his/her contact details, such as postal address, fax or email, addressing either to (i) the principal place of business of the Company in Hong Kong at Unit 3205B-3206, 32nd Floor, Office Tower, Convention Plaza, 1, Harbour Road, Wan Chai or facsimile number (852) 2598 6633; or (ii) the principal place of business and head office of the Company in China at No. 7, Anxiang Street, Area B, Tianzhu Airport Economic Development Zone, Shunyi District, Beijing, China, 101318 or facsimile number (86) 10 8046 9966.

INVESTOR RELATIONS

AMENDMENT OF THE COMPANY'S CONSTITUTIONAL DOCUMENTS

There have been no changes to the Company's constitutional documents during the Relevant Period.

Deloitte.
德勤

TO THE MEMBERS OF CHINA AUTOMATION GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Automation Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 101, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair 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 Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	5	**2,217,985**	2,308,801
Cost of sales		**(1,456,820)**	(1,480,486)
Gross profit		**761,165**	828,315
Other income	7	**66,964**	73,231
Other gains and losses	8	**(84,313)**	(51,155)
Selling and distribution expenses		**(173,512)**	(209,721)
Administrative expenses		**(256,447)**	(277,119)
Research and development expenses		**(102,936)**	(95,881)
Other expenses		**(1,003)**	(8,136)
Finance costs	9	**(130,383)**	(135,145)
Share of results of associates		**171**	(1,592)
Share of results of a joint venture		**(291)**	(510)
Profit before taxation		**79,415**	122,287
Income tax expense	10	**(32,670)**	(37,338)
Profit for the year	11	**46,745**	84,949
Other comprehensive income for the year (net of tax)			
Items that maybe subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**1,524**	9,389
Share of translation reserve of a joint venture		**(326)**	(170)
		1,198	9,219
Total comprehensive income for the year		**47,943**	94,168
Profit for the year attributable to:			
Owners of the Company		**35,272**	73,574
Non-controlling interests		**11,473**	11,375
		46,745	84,949
Total comprehensive income attributable to:			
Owners of the Company		**36,470**	82,793
Non-controlling interests		**11,473**	11,375
		47,943	94,168
Earnings per share	15		
Basic (RMB cents)		**3.44**	7.17
Diluted (RMB cents)		**3.44**	7.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current Assets			
Property, plant and equipment	16	**498,295**	471,037
Deposit for acquisition of property, plant and equipment		**19,573**	13,848
Prepaid lease payments – non-current portion	17	**106,899**	109,669
Intangible assets	18	**463,060**	454,031
Goodwill	19	**141,792**	141,792
Interests in associates	20	**24,667**	24,496
Interest in a joint venture	21	**4,220**	4,837
Pledged bank deposits	28	**8,727**	473
Deferred tax assets	22	**45,328**	36,077
Available-for-sale financial assets	23	**64,217**	64,217
Embedded derivative financial asset	33	**47**	3,954
		1,376,825	1,324,431
Current Assets			
Prepaid lease payments – current portion	17	**2,770**	2,770
Inventories	24	**749,609**	750,704
Trade and bills receivables	25	**1,846,394**	1,824,813
Other receivables and prepayments	26	**166,663**	203,182
Amounts due from customers for contract work	27	**51,545**	74,323
Pledged bank deposits	28	**110,167**	140,414
Bank balances and cash	29	**395,231**	457,103
		3,322,379	3,453,309
Current Liabilities			
Trade payables	30	**533,933**	425,453
Other payables, deposits received and accruals	31	**329,386**	492,098
Dividend payable		**6**	4,666
Income tax payable		**4,095**	25,504
Bank borrowings – due within one year	32	**346,757**	397,387
		1,214,177	1,345,108
Net Current Assets		**2,108,202**	2,108,201
Total Assets less Current Liabilities		**3,485,027**	3,432,632

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	**2014 RMB'000**	2013 RMB'000
Capital and Reserves			
Share capital	34	**9,548**	9,548
Share premium and reserves	35	**1,866,458**	1,813,096
Equity attributable to owners of the Company		**1,876,006**	1,822,644
Non-controlling interests		**325,996**	341,330
Total Equity		**2,202,002**	2,163,974
Non-current Liabilities			
Deferred tax liabilities	22	**63,294**	60,968
Guaranteed notes	33	**1,160,804**	1,146,863
Deferred income	36	**58,927**	60,827
		1,283,025	1,268,658
Total Equity and Non-current Liabilities		**3,485,027**	3,432,632

The consolidated financial statements on pages 34 to 101 were approved and authorised for issue by the Board of Directors on 25 March 2015 and are signed on its behalf by:

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note 35 a)	Statutory surplus reserves RMB'000 (Note 35 b)	Contribution from owners RMB'000	Translation reserve RMB'000	Share option reserve RMB'000 (Note 35 c)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	9,548	648,367	34,666	89,713	619	655	–	976,731	1,760,299	315,055	2,075,354
Profit for the year	–	–	–	–	–	–	–	73,574	73,574	11,375	84,949
Exchange difference arising on translation of foreign operations	–	–	–	–	–	9,389	–	–	9,389	–	9,389
Share of translation reserve of a joint venture (Note 21)	–	–	–	–	–	(170)	–	–	(170)	–	(170)
Total comprehensive income for the year	–	–	–	–	–	9,219	–	73,574	82,793	11,375	94,168
Increase of non-controlling interests (Note a)	–	–	–	–	–	–	–	–	–	35,550	35,550
Appropriations to reserves	–	–	–	22,241	–	–	–	(22,241)	–	–	–
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(20,650)	(20,650)
Dividend distributed (Note 14)	–	–	–	–	–	–	–	(20,448)	(20,448)	–	(20,448)
At 31 December 2013	9,548	648,367	34,666	111,954	619	9,874	–	1,007,616	1,822,644	341,330	2,163,974
Profit for the year	–	–	–	–	–	–	–	35,272	35,272	11,473	46,745
Exchange difference arising on translation of foreign operations	–	–	–	–	–	1,524	–	–	1,524	–	1,524
Share of translation reserve of a joint venture (Note 21)	–	–	–	–	–	(326)	–	–	(326)	–	(326)
Total comprehensive income for the year	–	–	–	–	–	1,198	–	35,272	36,470	11,473	47,943
Appropriations to reserves	–	–	–	14,176	–	–	–	(14,176)	–	–	–
Dividend declared to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	(11,650)	(11,650)
Recognition of equity-settled share-based payments (Note 43)	–	–	–	–	–	–	1,735	–	1,735	–	1,735
Reclassifications (Note b)	–	–	–	39,334	–	–	–	(24,177)	15,157	(15,157)	–
At 31 December 2014	9,548	648,367	34,666	165,464	619	11,072	1,735	1,004,535	1,876,006	325,996	2,202,002

Notes:

(a) On 22 April 2013, the Company's subsidiary, Beijing Consen Oil and Gas Engineering Co., Ltd. ("Consen Oil and Gas") made further capital contribution in cash amounting to RMB4,000,000 to Beijing Zhongjing Shihua New Energy Technology Co., Ltd ("Zhongjing Shihua"), a wholly owned subsidiary of the Group, while the third party transferred a full set of non-patented technologies to Zhongjing Shihua at a consideration of RMB35,550,000. As a result, Consen Oil and Gas's equity interest in Zhongjing Shihua was diluted from 100% to 51%.

(b) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), before distribution of profit each year, the subsidiaries established in the PRC shall set aside 10% of their profit derived in accordance with the generally accepted accounting principles in the PRC to the statutory surplus reserves. The statutory surplus reserves can only be used, upon approval by the board of directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital. Owing to the differences in the articles of association of certain PRC subsidiaries of the Company and the relevant PRC laws, these PRC subsidiaries had not appropriated the statutory reserves amounting to RMB39,334,000 for the profit attributable to the financial year ended before 31 December 2013 and was reclassified in the current year for presentation purpose. In addition, the Company recognized the share of the depreciation and amortization of the revaluation increase in non-current assets on business combination amounting to RMB15,157,000 by the non-controlling interests of certain non-wholly owned subsidiaries to conform with current year presentation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		**79,415**	122,287
Adjustments for:			
Share of results of associates		**(171)**	1,592
Share of results of a joint venture		**291**	510
Gain on disposal of business		**–**	(6,705)
Finance costs		**130,383**	135,145
Depreciation of property, plant and equipment		**48,225**	47,310
Prepaid lease payments released		**2,770**	2,770
Amortisation of intangible assets		**27,082**	24,052
Deferred income released to income		**(12,735)**	(24,711)
Change in fair value of derivatives		**3,907**	5,619
(Gain) loss on disposal of property, plant and equipment		**(256)**	11
Impairment losses on trade and other receivables		**68,144**	59,673
Interest income		**(3,569)**	(2,952)
Dividends income earned on available-for-sale financial assets		**(777)**	–
Unrealised foreign exchange losses (gains)		**4,157**	(5,510)
Share-based payments expenses		**1,735**	–
Operating cash flows before movements in working capital		**348,601**	359,091
Decrease in inventories		**1,095**	106,512
Increase in trade and bills receivables		**(100,685)**	(195,856)
Decrease (increase) in other receivables and prepayments		**36,179**	(15,384)
Decrease in amounts due from customers for contract work		**22,778**	44,312
Increase (decrease) in trade payables		**108,480**	(49,449)
Increase in deferred income		**10,835**	23,607
(Decrease) increase in other payables and accruals		**(162,176)**	94,551
Cash generated from operations		**265,107**	367,384
Income tax paid		**(60,051)**	(37,814)
Net cash generated from operating activities		**205,056**	329,570
INVESTING ACTIVITIES			
Interest received		**3,569**	2,952
Dividend income received		**777**	–
Purchases of property, plant and equipment and deposits for acquisition of property, plant and equipment		**(80,678)**	(82,956)
Proceeds on disposal of property, plant and equipment		**3,202**	397
Development costs paid		**(36,111)**	(47,840)
Investment in a joint venture		**–**	(5,517)
Disposal of business	39	**–**	7,346
Placement of pledged bank deposits		**(40,803)**	(79,980)
Withdrawal of pledged bank deposits		**62,796**	32,149
Net cash used in investing activities		**(87,248)**	(173,449)

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
FINANCING ACTIVITIES		
New bank borrowings raised	463,564	558,360
Repayments of bank borrowings	(502,894)	(521,487)
Repayments of corporate bonds	–	(50,000)
Interest paid	(121,008)	(126,231)
Repayments of borrowing from an associate	–	(15,000)
Dividends paid to owners of the Company	–	(20,448)
Dividends paid to non-controlling shareholders	(16,310)	(15,990)
Net cash used in financing activities	(176,648)	(190,796)
Net decrease in cash and cash equivalents	(58,840)	(29,165)
Cash and cash equivalents at beginning of the year	457,103	494,819
Effect of foreign exchange rate changes	(3,032)	(3,041)
Cash and cash equivalents at end of the year	395,231	457,103
Analysis of the balances of cash and cash equivalents:		
represented by		
Bank balances and cash	395,231	457,103

1. GENERAL

The Company is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its immediate holding company is Consen Group Holding Inc. incorporated in the British Virgin Islands ("BVI") and its ultimate holding company is Consen Investments Holding Inc. incorporated in BVI. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report.

The activities of its subsidiaries are set out in Note 48.

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

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

In the current year, the Group has applied, for the first time, certain new or revised standards, amendments and interpretation ("new or revised IFRSs") issued by the International Accounting Standards Board ("IASB") that are mandatorily effectively for the current year.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised standards, amendments and interpretation ("new and revised IFRSs") that have been issued but are not yet effective.

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

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application permitted.

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

The directors of the Company ("Directors") anticipate that the application of the new and revised IFRSs, other than those set out below, will have no material impact on the consolidated financial statements.

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described as follows:

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

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

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

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the adoption of IFRS 9 in the future may have impact on amounts reported in respect of the Group's available-for-sale financial asset which is currently stated at cost less impairment and will be measured at fair value upon adoption. Presently, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

The Directors are in the process of reviewing the effect of the application of IFRS 15 on the amounts reported and disclosures made in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

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

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

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

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

Acquisition of a subsidiary classified as an asset acquisition

In respect of acquisition of a subsidiary which does not constitute a business, the acquirer shall identify and recognise the individual identifiable assets acquired and liabilities assumed. The cost of the group is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 *Income Taxes*.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation was initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Investments in associates and joint ventures

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments in associates and joint ventures – continued

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale is accounted for using the equity method.

Upon disposal or partial disposal of the Group's interest in an associate or a joint venture in which the Group lost significant influence or joint control and discontinued the use of equity method, any retained interest that is within the scope of HKAS 39 is measured at fair value on that date, the difference between the carrying amount of the associate or joint venture at the date, and the proceeds from disposing of such interest (or partial interest) in the associate or joint venture and the fair value of the retained interest is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the Group lost significant influence or joint control over the investee.

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. When a single transaction requires two or more separate goods or services to be delivered at difference times, revenue is allocated to each identifiable components.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue recognition – continued

Revenue from system sales is recognised when the system is delivered and accepted by the customers. When the system sales contract includes an identifiable amount for warranty service, that amount is deferred and recognised as revenue over the period during which the service is performed. Service fees received in advance are recorded as deferred income and recognised as service fee income when the services are rendered.

Revenue from sale of goods is recognised when goods are delivered and title has passed.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Servicing fees are recognised by reference to the proportion of the total cost of providing the service;

Revenue for provision of maintenance and engineering service is recognised when the services are provided.

Revenue for software sales (that do not involve significant implementation or customisation) is recognised when the fee is determinable, collection is probable, and the products are delivered.

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

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

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

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as deposits received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Contingent rental arising under operating leases are recognised as an expense in the period in which they are incurred. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency, i.e. RMB).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded as the respective functional currency at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

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

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

Government grants

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

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

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

Retirement benefits costs

Payments to defined contribution retirement benefits schemes, including state-managed retirement benefits schemes in PRC and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Taxation

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

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

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

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

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

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

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets other than goodwill below).

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Intangible assets – continued

Research and development expenditure

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

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

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

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets other than goodwill set out below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, directs labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Impairment losses on tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into financial assets at FVTPL, loans and receivables and available-for-sale financial asset. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments, of which interest income is included in other income.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

Available-for-sale financial asset

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. The Group classified certain unlisted equity security as available-for-sale financial assets.

For available-for-sale financial equity investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of counterparty; or
- default or delinquency in settlement of receivables; or
- it becoming probable that the debtors will enter bankruptcy or financial re-organisation.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial liabilities and equity instruments

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of the Company's own equity instruments.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including bank borrowings, trade payables, other payables, dividend payable, amounts due to a non-controlling shareholder and guaranteed notes are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

If new share options are granted as replacement for the cancellation of previously granted share options, the grant of replacement share options is accounted for as modifications. The incremental fair value granted, representing the difference between the fair value of the modified/replacement share option and that of the original share option, at the date the modification/replacement is expensed over the remaining vesting period of the share options, in addition to the amount based on the grant date fair value of the original share options.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies, the Directors have made the following estimation with key assumptions at the end of reporting period. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of trade and other receivables

Trade receivables and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In making the estimates, management considered detailed procedures have been in place to monitor this risk. In estimating whether allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the aggregate carrying amount of trade and other receivables (net of allowance for doubtful debts), was approximately RMB1,951,809,000 (2013: RMB1,961,698,000). Details of movements of allowance for trade receivables and other receivables are disclosed in Notes 25 and 26 respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Indefinite useful life of trademarks

The trademarks are classified as indefinite-lived intangible assets and supported by the fact that trademarks are capable of being renewed indefinitely by the government of PRC upon its expiration at insignificant cost. Based on future financial performance of the Group, they are expected to generate positive cash flows indefinitely. The Group re-evaluates the useful life of trademarks each year to determine whether events and circumstances continue to support the view of indefinite useful life for these assets. The useful life of trademarks could be impacted as a result of the railway accident occurred due to the railway safety equipment manufactured by the Company's subsidiaries.

As at 31 December 2014, the carrying amount of trademarks with indefinite useful lives was RMB85,749,000 (2013: RMB85,749,000). Details of the recoverable amount calculation are disclosed in Note 19.

Useful lives of license

The Group's management determines the useful lives and related amortisation of the license. This estimate is based on the useful lives of the license of similar nature and functions. It could change significantly as a result of changes admission policy of Ministry of Railway and the railway accident occurred due to the railway safety equipment manufactured by the Company's subsidiaries. Management will increase the amortisation where useful lives are less than previously estimated, or it will write-off the carrying amount.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2014, the carrying amount of goodwill is RMB141,792,000 (2013: RMB141,792,000). Details of the recoverable amount calculation are disclosed in Note 19.

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2014 **RMB'000**	2013 RMB'000
Sales of goods		
System sales	**1,049,252**	1,185,473
Trading of equipment	**86,207**	185,688
Software sales	**86,032**	68,599
Industrial control valves sales	**598,076**	529,661
	1,819,567	1,969,421
Provision of service		
Provision of maintenance and engineering services	**267,310**	221,885
Design and consulting services	**131,108**	117,495
	2,217,985	2,308,801

6. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the Operating Management Committee ("CODM"), in order to allocate resources to the segments and to assess their performance.

The information reported to the CODM for the purposes of resource allocation and performance assessment focuses more specifically on the category of customer. The principal categories of customers are petrochemical and railway. No operating segments identified by the CODM have been aggregated in arriving at the reportable segment of the Group. The Group's operating segments are identified and relevant information is presented below:

Petrochemical	– integration and sales of safety and critical control systems, trading of equipment, provision of maintenance and engineering services, design services and sales of software products for the petrochemical, chemical, oil and gas and coal chemical industries, manufacture of industry automatic control valves
Railway	– integration and sales of safety and critical control systems, trading of equipment, provision of maintenance and engineering services and sales of software products for the railway industry

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

2014

	Petrochemical RMB'000	Railway RMB'000	Consolidated RMB'000
Revenue	1,624,576	593,409	2,217,985
Segment profit before tax	148,282	50,547	198,829
Income tax expense	(25,238)	(7,432)	(32,670)
Segment profit	123,044	43,115	166,159
Unallocated other income			9
Unallocated administrative expenses			(12,983)
Unallocated other gains and losses			(5,705)
Unallocated finance costs			(100,735)
Profit for the year			46,745

6. SEGMENT INFORMATION – CONTINUED

Segment revenues and results – continued

2013

	Petrochemical RMB'000	Railway RMB'000	Consolidated RMB'000
Revenue	1,747,882	560,919	2,308,801
Segment profit before tax	175,263	71,779	247,042
Income tax expense	(27,311)	(10,027)	(37,338)
Segment profit	147,952	61,752	209,704
Unallocated other income			4
Unallocated administrative expenses			(17,424)
Unallocated other gains and losses			(5,752)
Unallocated finance costs			(101,583)
Profit for the year			84,949

All of the segment revenue reported above is from external customers.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the post-tax profit earned by each segment without allocation of central administrative expenses, interest income, other gains and losses and finance costs of the Company. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2014 RMB'000	2013 RMB'000
Segment assets		
Petrochemical	2,928,133	2,956,814
Railway	1,699,028	1,741,539
Total segment assets	4,627,161	4,698,353
Other assets	72,043	79,387
Consolidated assets	4,699,204	4,777,740
Segment liabilities		
Petrochemical	768,856	916,403
Railway	546,499	499,489
Total segment liabilities	1,315,355	1,415,892
Guaranteed notes	1,160,804	1,146,863
Other liabilities	21,043	51,011
Consolidated liabilities	2,497,202	2,613,766

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated corporate assets, mainly included bank balances and cash and property, plant and equipment and intangible assets.
- all liabilities are allocated to operating segments other than unallocated corporate liabilities, mainly include other payables, dividend payable, guaranteed notes and bank borrowings.

6. SEGMENT INFORMATION – CONTINUED

Other segment information

Amounts included in the measure of segment profit or segment assets:

2014

	Petrochemical RMB'000	Railway RMB'000	Unallocated RMB'000	Consolidated RMB'000
Interests in associates	24,667	–	–	24,667
Interests in a joint venture	–	4,220	–	4,220
Depreciation and amortisation	46,805	24,947	3,555	75,307
Release of prepaid lease payment	1,886	397	487	2,770
Gain on disposal of property, plant and equipment	226	30	–	256
Impairment losses on trade and other receivables recognised in profit or loss	34,393	33,751	–	68,144
Share of profits of associates	171	–	–	171
Share of loss of a joint venture	–	291	–	291
Interest income	1,939	1,621	9	3,569
Interest expense	25,557	4,094	100,732	130,383

2013

	Petrochemical RMB'000	Railway RMB'000	Unallocated RMB'000	Consolidated RMB'000
Interests in associates	24,496	–	–	24,496
Interests in a joint venture	–	4,837	–	4,837
Depreciation and amortisation	45,058	23,629	2,675	71,362
Release of prepaid lease payment	1,886	397	487	2,770
Loss on disposal of property, plant and equipment	–	11	–	11
Impairment losses on trade and other receivables recognised in profit or loss	7,653	52,020	–	59,673
Share of losses of associates	1,592	–	–	1,592
Share of loss of a joint venture	–	510	–	510
Interest income	1,976	972	4	2,952
Interest expense	25,926	7,636	101,583	135,145

Geographical information

The Group operates principally in the PRC (including Hong Kong), and overseas countries (including the United States of America ("USA"), Japan and Singapore).

Information about the Group's revenue from external customers is presented based on the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

6. SEGMENT INFORMATION – CONTINUED

Geographical information – continued

	Revenue from external customers		Non-current assets (Note)	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
PRC	2,099,957	2,098,885	1,225,170	1,185,152
Overseas countries	118,028	209,916	4,449	5,225
	2,217,985	2,308,801	1,229,619	1,190,377

Note: Non-current assets excluded interests in associates and joint venture, financial instruments and deferred tax assets.

Revenue by products and services

The Group's revenue analysed by goods or services are set out in Note 5.

Information about major customers

For the year ended 31 December 2014, no individual customer contributes over 10% of the total sales of the Group (2013: Customer of Petrochemical segment RMB238,763,000).

7. OTHER INCOME

	2014 RMB'000	2013 RMB'000
Bank interest income	3,569	2,952
Dividends income earned on available-for-sale financial assets	777	–
Value added tax ("VAT") refund (Note i)	39,155	40,717
Government grant (Note ii)	20,148	27,120
Others	3,315	2,442
	66,964	73,231

Notes:

i. The amount represents the VAT refund from local tax bureau in accordance with the preferential policy on VAT of software manufacturers.

ii. Government grants mainly include the government subsidies received by the Company's subsidiaries from relevant government bodies in connection with technology development. All the grants were recognised at the time the grants are receivable for which compensation for expenses are already incurred.

8. OTHER GAINS AND LOSSES

	2014 RMB'000	2013 RMB'000
Loss on embedded derivative financial asset (Note 33)	**(3,907)**	(5,619)
Gain (loss) on disposal of property, plant and equipment	**256**	(11)
Net foreign exchange (loss) gain	**(12,518)**	7,443
Allowance for bad and doubtful debts	**(68,144)**	(59,673)
Gain on disposal of business	**–**	6,705
	(84,313)	(51,155)

9. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest expenses on:		
Borrowings wholly repayable within five years	**29,766**	31,750
Corporate bonds	**–**	2,173
Guaranteed notes	**100,617**	101,222
	130,383	135,145

No interest was capitalised during the current and prior years.

10. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Current tax charge comprises		
PRC enterprise income tax	**39,591**	38,635
Hong Kong Profits Tax	**–**	1,993
Other jurisdictions	**4**	5
	39,595	40,633
Deferred tax credit (Note 22)	**(6,925)**	(3,295)
	32,670	37,338

PRC enterprise income tax is calculated at 25% of the estimated assessable profit of the Company's subsidiaries located in the PRC as determined in accordance with relevant tax rules and regulations in the PRC for both years, except for certain subsidiaries which enjoyed tax rate substantially lower than 25% due to relevant incentive policies.

Certain subsidiaries of the Company operating in the PRC are eligible for tax holiday and concession. The tax holiday and concession are in the form of two years tax exemption from the first profit-making year, followed by 50% reduction of the applicable tax rate in the following three years.

10. INCOME TAX EXPENSE – CONTINUED

During the year, Beijing Shang Fang Yun Shui Software Technology Co., Ltd ("Beijing Shang Fang") is under the third year of 50% tax reduction. Beijing Heng Tai Ri Xin Software Technology Co., Ltd ("Beijing Heng Tai") and Ningxia Fei Mai Sen Process Control Technology Co., Ltd ("Ningxia Fei Mai Sen ") are both under the first year of 50% tax reduction at a tax rate of 12.5%.

Beijing Consen Automation Control Co., Ltd. ("Beijing Consen"), Beijing Consen Transportation Technology Co., Ltd. ("Beijing Transportation"), Beijing Jiaoda Microunion Technology Co., Ltd. ("Beijing Jiaoda Microunion"), Beijing Sindhu Industrial Software Co., Ltd. ("Beijing Software"), Nanjing Huashi Electronic Scientific Co., Ltd. ("Nanjing Electronic Scientific "), Beijing Haidian Zhongjing Engineering Software Technology Co., Ltd ("Zhongjing") and Wuzhong Instrument Co., Ltd. ("Wuzhong") are qualified as "New and High Tech Enterprises", which are subject to PRC enterprise income tax at the preferential rate of 15% of the estimated assessable profit as determined in accordance with relevant tax rules and regulations in the PRC. This preferential rate could be applied for three years, and began from 2010 for Zhongjing and Wuzhong, both of which are re-qualified in 2013, and 2011 for Beijing Consen, Beijing Transportation, Beijing Software and Beijing Jiaoda Microunion, all of which are re-qualified in 2014, and 2012 for Nanjing Electronic Scientific.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxation arising in the jurisdictions other than the PRC and Hong Kong is calculated at rates prevailing in the relevant jurisdictions.

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

	2014 **RMB'000**	2013 RMB'000
Profit before taxation	**79,415**	122,287
Tax at the PRC income tax rate of 25% (2013: 25%)	**19,854**	30,572
Tax effect of:		
Share of results of associates	**(43)**	398
Share of results of a joint venture	**73**	128
Dividends income earned on available-for-sale financial assets	**(160)**	–
Expenses not deductible for tax purpose	**11,937**	11,349
Income not taxable for tax purpose	**(8,778)**	(8,209)
Tax losses not recognised	**35,018**	33,008
Utilisation of tax losses previously not recognised	**–**	(1,798)
Deductible temporary differences not recognised	**9,404**	2,949
Different jurisdictions tax rates of subsidiaries	**–**	(1,026)
Tax benefit granted to certain PRC subsidiaries	**(36,435)**	(34,871)
Withholding tax on undistributed profits of PRC subsidiaries	**1,800**	4,838
Tax charge for the year	**32,670**	37,338

10. INCOME TAX EXPENSE – CONTINUED

Under the PRC tax law, withholding tax of 5% is imposed on dividends declared to foreign investors in respect of profit earned by the PRC subsidiaries from 1 January 2008 onward. Starting from 1 January 2011, certain profits generated by the relevant PRC subsidiaries will be distributed to its foreign investor and as such, deferred tax liability in this respect was provided for accordingly in the consolidated financial statements of the Group for the current year to the extent that such earnings are estimated by the Directors to be distributed in the foreseeable future.

The aggregate amount of temporary differences associated with undistributed earnings of the PRC subsidiaries for which deferred tax liabilities have not been recognised amounted to approximately RMB965,058,000 (2013: RMB944,630,000) because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

11. PROFIT FOR THE YEAR

	2014 RMB'000	2013 RMB'000
Profit for the year is arrived at after charging the following items:		
Depreciation of property, plant and equipment	48,225	47,310
Amortisation of intangible assets included in		
– Administrative expenses	14,121	15,950
– Cost of sales	12,961	8,102
	27,082	24,052
Total depreciation and amortisation	75,307	71,362
Auditors' remuneration	3,475	3,446
Release of prepaid lease payments	2,770	2,770
Operating leases payments in respect of rented premises	31,150	32,149
Staff costs:		
Directors' emoluments (Note 12)	9,385	4,110
Other staff costs		
– Salaries and other benefits	343,960	363,298
– Retirement benefits scheme contributions	22,930	21,755
– Equity-settled share-based payments	1,529	–
	368,419	385,053
Total staff cost	377,804	389,163

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the Directors and the chief executive were as follows:

	2014					
	Directors' fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Performance related incentive payments RMB'000	Equity-settled share-based payments RMB'000	Total emoluments RMB'000
Executive directors						
Mr. Xuan Rui Guo (Note)	–	1,511	34	1,397	52	2,994
Mr. Kuang Jian Ping	–	1,451	34	1,397	74	2,956
Mr. Huang Zhi Yong	–	1,451	34	1,397	74	2,956
Sub-total	–	4,413	102	4,191	200	8,906
Independent non-executive directors						
Mr. Wang Tai Wen	142	–	–	–	3	145
Mr. Ng Wing Fai	189	–	–	–	3	192
Mr. Sui Yong Bin	142	–	–	–	–	142
Sub-total	473	–	–	–	6	479
Total	473	4,413	102	4,191	206	9,385

	2013					
	Directors' fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Performance related incentive payments RMB'000	Equity-settled share-based payments RMB'000	Total emoluments RMB'000
Executive directors						
Mr. Xuan Rui Guo (Note)	–	1,553	54	–	–	1,607
Mr. Kuang Jian Ping	–	964	54	–	–	1,018
Mr. Huang Zhi Yong	–	951	54	–	–	1,005
Sub-total	–	3,468	162	–	–	3,630
Independent non-executive directors						
Mr. Wang Tai Wen	144	–	–	–	–	144
Mr. Ng Wing Fai	192	–	–	–	–	192
Mr. Sui Yong Bin	144	–	–	–	–	144
Sub-total	480	–	–	–	–	480
Total	480	3,468	162	–	–	4,110

Note: Mr. Xuan Rui Guo is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered as Chief Executive.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – CONTINUED

The performance related incentive payments of the executive directors are determined by the Company's board of directors and should not be more than 5% of the profit attributable to owners of the Company for the relevant financial year.

During either year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the chief executive nor any of the Directors waived any emoluments during either year.

13. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included three (2013: three) directors for the year ended 31 December 2014, whose emoluments are disclosed in note 12 above. The emoluments of the remaining two (2013: two) individuals for the year ended 31 December 2014 and 2013 are as follows:

	2014 **RMB'000**	2013 RMB'000
Salaries and other benefits	**1,996**	2,029
Contributions to retirement benefits scheme	**129**	119
Performance related incentive payments	**3,437**	3,085
Equity-settled share-based payments	**14**	–
	5,576	5,233

Their emoluments were within the following bands:

	Number of employees	
	2014	2013
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	1
	2	2

14. DIVIDENDS

Dividends recognised as distribution during the year:

	2014 **RMB'000**	2013 RMB'000
2012 final dividends – HK$2.5 cents per share	**–**	20,448

During the year ended 31 December 2013, dividends of approximately HK$25,657,000 (equivalent to RMB20,448,000) at HK$2.5 cents per share in respect of the year ended 31 December 2012 were declared based on 1,026,264,000 shares outstanding as at 31 December 2012, and paid to the owners of the Company.

The Directors do not recommend the payment of a final dividend for the current year.

15. EARNINGS PER SHARE

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

Earnings	**2014** **RMB'000**	2013 RMB'000
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**35,272**	73,574

Weighted average number of shares	**2014** **'000 shares**	2013 '000 shares
Number of ordinary shares for the purpose of basic earnings per share	**1,026,264**	1,026,264

The calculation of diluted earnings per share did not take into account the share options of the Company issued during the year ended 31 December 2014 (Note 43) because the exercise price of these share options was higher than the average market price of the Company's shares from 25 July 2014 (the date of grant) to 31 December 2014.

No diluted earnings per share are presented for the year ended 31 December 2013 as there was no potential ordinary shares outstanding during the prior period.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Fixtures and electronic equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2013	275,689	13,058	158,252	39,126	45,541	531,666
Additions	3,530	–	32,741	3,204	32,979	72,454
Transfers	3,653	–	5,073	–	(8,726)	–
Disposals	–	–	(1,431)	(471)	–	(1,902)
At 31 December 2013	282,872	13,058	194,635	41,859	69,794	602,218
Additions	777	424	12,933	2,623	61,672	78,429
Transfers	107,413	–	9,692	–	(117,105)	–
Disposals	–	–	(3,700)	(1,780)	–	(5,480)
At 31 December 2014	391,062	13,482	213,560	42,702	14,361	675,167
DEPRECIATION						
At 1 January 2013	13,652	8,395	40,707	22,611	–	85,365
Provided for the year	11,087	2,121	29,645	4,457	–	247,310
Disposals	–	–	(1,072)	(422)	–	(1,494)
At 31 December 2013	24,739	10,516	69,280	26,646	–	131,181
Provided for the year	11,880	1,613	30,247	4,485	–	48,225
Disposals	–	–	(1,172)	(1,362)	–	(2,534)
At 31 December 2014	36,619	12,129	98,355	29,769	–	176,872
CARRYING VALUES						
At 31 December 2014	354,443	1,353	115,205	12,933	14,361	498,295
At 31 December 2013	258,133	2,542	125,355	15,213	69,794	471,037

Property, plant and equipment except for construction in process are depreciated on a straight-line basis at the following rates per annum:

Buildings	3%
Leasehold improvements	20%
Fixtures and electronic equipment	10% – 20%
Motor vehicles	20%

The buildings of the Group are located on land in the PRC. As of 31 December 2014, a building with a carrying value of RMB105,711,000 is in the process of obtaining property certificates (2013: Nil).

Details of property, plant and equipment pledged are set out in Note 40.

17. PREPAID LEASE PAYMENTS

Movements in the lease prepayments, which represent land use rights with the lease terms of 40 to 50 years in PRC, during the year are analyzed as follows:

	2014 RMB'000	2013 RMB'000
CARRYING AMOUNT		
At 1 January	112,439	115,209
Released to profit or loss	(2,770)	(2,770)
At 31 December	109,669	112,439
Analysed for reporting purpose as:		
Non-current asset	106,899	109,669
Current asset	2,770	2,770

Details of land use rights pledged are set out in Note 40.

18. INTANGIBLE ASSETS

	Trademarks RMB'000	Development costs RMB'000 (Note i)	Licenses RMB'000	Patents RMB'000	Non-patented technologies RMB'000 (Note ii)	Total RMB'000
COST						
At 1 January 2013	85,749	45,853	291,082	22,546	–	445,230
Additions	–	47,840	–	–	35,550	83,390
At 31 December 2013	85,749	93,693	291,082	22,546	35,550	528,620
Additions	–	36,111	–	–	–	36,111
At 31 December 2014	85,749	129,804	291,082	22,546	35,550	564,731
AMORTISATION						
At 1 January 2013	–	12,719	32,404	5,414	–	50,537
Provided for the year	–	4,728	13,072	3,586	2,666	24,052
At 31 December 2013	–	17,447	45,476	9,000	2,666	74,589
Provided for the year	–	9,174	10,566	3,787	3,555	27,082
At 31 December 2014	–	26,621	56,042	12,787	6,221	101,671
CARRYING VALUES						
At 31 December 2014	85,749	103,183	235,040	9,759	29,329	463,060
At 31 December 2013	85,749	76,246	245,606	13,546	32,884	454,031

18. INTANGIBLE ASSETS – CONTINUED

Notes:

i: Development costs are internally generated.

ii: Included in additions for the year ended 31 December 2013 are non-patented technologies of RMB35,550,000 contributed by a non-controlling shareholder of Zhongjing Shihua.

The intangible assets, other than the trademarks which do not have finite useful lives and are stated at cost less impairment, are amortised on straight-line basis based on the estimated useful lives as follows:

Category	Estimated useful lives
Development costs	5 years
Licenses	2.5 – 30 years
Patents	5 – 15 years
Non-patented technologies	10 years

The trademarks have a legal life of 10 years but are renewable every 10 years at minimal cost. The Directors are of the opinion that the Group would renew the trademarks continuously and have the ability to do so. Various studies including product stability and security studies, market and admission policy trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the trademarks are considered by the Directors as having an indefinite useful life. They will be tested for impairment annually and whenever there are indications that they may be impaired. Particulars of the impairment testing are disclosed in Note 19.

19. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and trademarks with indefinite useful lives have been allocated to five individual cash generating units ("CGU(s)"), including four (2013: four) subsidiaries engaged in railway segment and three (2013: three) subsidiaries engaged in petrochemical sales segment. The carrying amounts of goodwill and trademarks as at 31 December 2014 allocated to these units are as follows:

	Goodwill		Trademarks	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Railway				
– Beijing Jiaoda Microunion Technology Co., Ltd. (Unit A)	**72,778**	72,778	**61,922**	61,922
– Beijing Consen Transportation Technology Company Limited (Unit A)	**3,397**	3,397	**–**	–
– Nanjing Electronic Scientific (Unit B)	**39,695**	39,695	**–**	–
– Nanjing Huashi Power Equipment Co., Ltd. ("Nanjing Power Equipment")(Unit B)	**17,033**	17,033	**–**	–
Petrochemical				
– Tri-sen Systems Corporation (Unit C)	**–**	–	**546**	546
– Zhongjing (Unit D)	**8,889**	8,889	**–**	–
– Wuzhong (Unit E)	**–**	–	**23,281**	23,281
Total	**141,792**	141,792	**85,749**	85,749

During the year ended 31 December 2014, the Directors determine that there are no impairments of any of its CGUs containing goodwill and trademarks with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount is determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets covering a 5-year period and the following assumptions:

	Discount rate		Annual revenue growth rate for 5-year budget period (note)	
	2014	2013	**2014**	2013
Unit A	**16.2%**	18.2%	**8%**	8%
Unit B	**15.2%**	15.9%	**15%**	15%
Unit C	**12.8%**	14.9%	**25%**	25%
Unit D	**15.4%**	17.2%	**5%**	5%
Unit E	**16.1%**	17.9%	**10%**	10%

Note: The cash flows of the respective CGUs beyond the five-year period are extrapolated using a steady growth rate of 3% (2013: 3%). The growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry.

19. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES – CONTINUED

Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance.

The Directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of each CGU to exceed its recoverable amount.

20. INTERESTS IN ASSOCIATES

	2014 **RMB'000**	2013 RMB'000
Cost of investments, unlisted	**46,193**	46,193
Share of post-acquisition loss and other comprehensive income, net of dividends received	**(21,526)**	(21,697)
	24,667	24,496

Details of the Group's associates are set out below.

Name of entity	Date of establishment	Place of establishment and operation	Issued and fully paid up share capital	Equity interest attributable to the Group 2014	Equity interest attributable to the Group 2013	Principal activities
廣州ABB微聯牽引設備有限公司 ABB Microunion Traction Equipment Co., Ltd.	16 July 2010	PRC	US$6,000,000	**50%**	50%	Traction converters and auxiliary converters
上海金子自動化儀錶有限公司 Shanghai Kaneko Auto-Instrument Co., Ltd.	27 May 2004	PRC	JPY 130,000,000	**23.08%**	23.08%	Manufacture of industrial automatic control valves
遼寧汽輪動力有限公司 Liaoning Steam Turbine Power Co., Ltd. ("Liaoning Steam Turbine")	7 September 2012	PRC	RMB 100,000,000	**25%**	25%	Manufacture of industrial steam turbines

20. INTERESTS IN ASSOCIATES – CONTINUED

Summarised financial information of material associates

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

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

Liaoning Steam Turbine	2014 RMB'000	2013 RMB'000
Current assets	98,539	95,665
Non-current assets	17,437	11,334
Current liabilities	22,330	13,550
Non-current liabilities	–	–

Liaoning Steam Turbine	2014 RMB'000	2013 RMB'000
Revenue	57,636	5,255
Profit (loss) for the year	197	(6,551)
Other comprehensive income for the year	–	–
Total comprehensive income (expenses) for the year	197	(6,551)
Dividends received from the associate for the year	–	–

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

	2014 RMB'000	2013 RMB'000
Net assets of Liaoning Steam Turbine	93,646	93,449
Proportion of the Group's ownership interest in Liaoning Steam Turbine	25%	25%
Carrying amount of the Group's interest in Liaoning Steam Turbine	23,411	23,362

Aggregate information of associates that are not individually material

	2014 RMB'000	2013 RMB'000
The Group's share of profits	122	46
The Group's share of total comprehensive income	122	46
Aggregate carrying amount of the Group's interests in these associates	1,256	1,134

21. INTEREST IN A JOINT VENTURE

	2014 RMB'000	2013 RMB'000
Cost of investments, unlisted	5,517	5,517
Share of post-acquisition losses	(801)	(510)
Share of post-acquisition other comprehensive expense	(496)	(170)
	4,220	4,837

Details of the Group's joint venture are set out below.

Name of entity	Date of establishment	Place of operation	Fully paid up registered capital	Equity interest attributable to the Group	Principal activities
中國南車長江(澳洲)車輛技術服務有限公司 CSR (Australia) Rolling Stock Services Company Pty Ltd	24 April 2012	Australia	AU$980,000	49%	Provision of technical services and after-sales support to freight wagons

22. DEFERRED TAX ASSETS/LIABILITIES

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

	2014 RMB'000	2013 RMB'000
Deferred income tax assets	45,328	36,077
Deferred income tax liabilities	(63,294)	(60,968)
	(17,966)	(24,891)

22. DEFERRED TAX ASSETS/LIABILITIES – CONTINUED

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

	Impairment losses on trade and other receivables	Deferred income	VAT refunds	Fair value adjustment of intangible assets (Note a)	Undistributed profits of subsidiaries	Other temporary differences (Note b)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	14,809	5,940	–	(48,089)	(10,002)	9,156	(28,186)
Credit (charge) to profit or loss	8,418	(1,434)	–	1,961	(4,838)	(812)	3,295
At 31 December 2013	23,227	4,506	–	(46,128)	(14,840)	8,344	(24,891)
Credit (charge) to profit or loss	5,859	2,644	(2,110)	1,584	(1,800)	748	6,925
At 31 December 2014	**29,086**	**7,150**	**(2,110)**	**(44,544)**	**(16,640)**	**9,092**	**(17,966)**

Notes:

(a) Deferred tax liabilities of fair value adjustment recognised by the Group represented the fair value adjustment on intangible assets arising from the business acquisitions in the prior years.

(b) Other temporary differences mainly represent the temporary differences arising from the amortisation of intangible assets and unpaid payroll expenses.

At 31 December 2014, the Group had unused tax losses of approximately RMB440,690,000 (2013: RMB 300,620,000) available to offset against future profits of respective subsidiaries. Included in unrecognised tax losses are losses of RMB246,890,000 (2013: RMB165,519,000) that may be carried forward indefinitely.

22. DEFERRED TAX ASSETS/LIABILITIES – CONTINUED

The other tax losses unrecognised for deferred tax assets that will expire in

	2014 RMB'000	2013 RMB'000
2015	**19,790**	19,790
2016	**25,373**	25,373
2017	**28,294**	28,294
2018	**61,644**	61,644
2019	**58,699**	–
Total	**193,800**	135,101

No deferred tax asset has been recognised in respect of the unrecognised tax losses due to the unpredictability of future profit streams of respective subsidiaries.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 RMB'000	2013 RMB'000
Unlisted equity investments, at cost less impairment	**64,217**	64,217

The above unlisted equity investments represent equity investments in private entities established in the PRC, Singapore and USA. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

The Group obtains 0.25% to 9.99% equity interests in these private entities.

During the year ended 31 December 2014, the Group received dividend income of approximately RMB777,000 (2013: Nil) from these equity investments.

24. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	569,810	601,023
Work in progress	141,395	106,080
Finished goods	38,404	43,601
	749,609	750,704

For the year ended 31 December 2014, cost of inventories of approximately RMB1,401,057,000 (2013: RMB1,429,223,000) is recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

Details of inventories pledged are set out in Note 40.

25. TRADE AND BILLS RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	1,751,252	1,750,616
Less: impairment losses on trade receivables	(201,663)	(135,184)
	1,549,589	1,615,432
Bills receivable	296,805	209,381
	1,846,394	1,824,813

Trade receivables denominated in the currency other than the functional currency of relevant group entities:

	2014 RMB'000	2013 RMB'000
United States Dollar ("US$")	99,596	129,783
Japanese Yen ("JPY")	14,866	8,881
European Dollar ("EUR")	13,368	4,033
Singapore Dollar ("SG$")	–	114
Indonesian Rupiah ("IDR")	–	2,714
	127,830	145,525

At 31 December 2014, included in trade receivables are retention receivable of RMB87,184,000 (2013: RMB107,337,000). Retention receivables are interest-free and recoverable at end of the retention period of individual contract from 12 to 18 months and within the Group's normal operating cycle. As at 31 December 2014, retention receivables with a carrying amount of RMB80,427,000 (2013: RMB100,587,000) are expected to be collected in 12 months from the end of the reporting period.

25. TRADE AND BILLS RECEIVABLES – CONTINUED

The normal credit period except for the retention receivables granted to the Group's customers is 90 to 365 days. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2014 RMB'000	2013 RMB'000
0 – 90 days	725,198	815,337
91 – 180 days	379,841	254,305
181 – 365 days	381,219	399,839
1 – 2 years	343,414	344,233
2 – 3 years	16,722	11,099
	1,846,394	1,824,813

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The creditability of customers is reviewed regularly. The Group maintains strict control over the creditability of customers and its outstanding receivables. More than 82% (2013: 81%) of the trade receivables that are neither past due nor impaired are from customers with good payment history.

As at 31 December 2014, trade receivables with a carrying amount of RMB336,245,000 (2013: RMB348,582,000) that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past collection history, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Aged analysis of trade receivables which are past due but not impaired is as follows:

	2014 RMB'000	2013 RMB'000
1 – 2 years	332,419	337,483
2 – 3 years	3,826	11,099
Total	336,245	348,582

Movement in the allowance for doubtful debts

	2014 RMB'000	2013 RMB'000
At 1 January	135,184	80,812
Impairment losses recognised on trade receivables	100,812	85,157
Amounts recovered during the year	(33,008)	(29,190)
Amounts written off as uncollectible	(1,325)	(1,595)
At 31 December	201,663	135,184

25. TRADE AND BILLS RECEIVABLES – CONTINUED

In determining the recoverability of the trade receivables, the Group reassesses the credit quality of the trade receivables since the credit was granted and up to the reporting date. Based on the historical experience of the Group, the Directors believe that no further allowance is required.

Details of trade and bills receivables pledged to secure banking facilities are set out in Note 40.

The following were the Group's financial assets that were transferred by discounting, or factoring to banks, or endorsing to suppliers. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and associated liabilities. These financial assets and liabilities are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2014

	Bills receivable discounted or pledged to banks RMB'000	**Bills receivable endorsed to suppliers RMB'000**	**Trade receivables factored to banks RMB'000**	**Total RMB'000**
Carrying amount of transferred assets	**48,600**	**129,774**	**85,300**	**263,674**
Carrying amount of associated liabilities	**(48,600)**	**(129,774)**	**(85,300)**	**(263,674)**
Net position	**–**	**–**	**–**	**–**

As at 31 December 2013

	Bills receivable discounted or pledged to banks RMB'000	Bills receivable endorsed to suppliers RMB'000	Trade receivables factored to banks RMB'000	Total RMB'000
Carrying amount of transferred assets	11,300	109,277	30,000	150,577
Carrying amount of associated liabilities	(11,300)	(109,277)	(30,000)	(150,577)
Net position	–	–	–	–

26. OTHER RECEIVABLES AND PREPAYMENTS

An analysis of other receivables and prepayments is as follows:

	2014 RMB'000	2013 RMB'000
Prepayments to suppliers	**61,248**	66,297
Other receivables	**109,560**	140,690
Less: impairment losses on other receivables	**(4,145)**	(3,805)
	166,663	203,182

Other receivables and prepayments denominated in the currency other than the functional currency of relevant group entities:

	2014 RMB'000	2013 RMB'000
JPY	**42,722**	71,858

Movement in the allowance for doubtful debts

	2014 RMB'000	2013 RMB'000
At 1 January	**3,805**	99
Impairment losses recognised on other receivables	**440**	3,760
Amounts recovered during the year	**(100)**	(54)
At 31 December	**4,145**	3,805

27. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2014 RMB'000	2013 RMB'000
Constructions in progress at the end of reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**519,247**	471,010
Less: progress billings	**(467,702)**	(396,687)
Analysis for reporting purpose as:		
Amounts due from customers for contract work	**51,545**	74,323

28. PLEDGED BANK DEPOSITS

The pledged bank deposits have been pledged to secure banking facilities granted to the Group. The pledged bank deposits amounting to RMB110,167,000 (2013: RMB140,414,000) have been pledged to secure short-term banking facilities and are therefore classified as current assets.

The remaining deposits amounting to RMB8,727,000 (2013: RMB473,000) have been pledged to secure long-term banking facilities and are therefore classified as non-current assets. The pledged bank deposits carry market interest rates of 0.7% to 3% (2013: 0.7% to 3%) per annum as at 31 December 2014.

Details of bank deposits pledged are set out in Note 40.

Denominated in the currency other than the functional currency of relevant group entities:

	2014 RMB'000	2013 RMB'000
JPY	6,327	16,243
US$	18,191	21,738
	24,518	37,981

29. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group, and short-term bank deposits with an original maturity of three months or less which carry interest at prevailing deposit interest rate at 0.35% (2013: 0.35%) per annum.

Denominated in the currency other than the functional currency of relevant group entities:

	2014 RMB'000	2013 RMB'000
US$	16,124	39,334
JPY	25,582	27,790
EUR	13,967	856
Hong Kong Dollar ("HK$")	202	174
SG$	25	32
Great Britain Pound ("GBP")	3	3
	55,903	68,189

30. TRADE PAYABLES

An aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2014	2013
	RMB'000	RMB'000
0 – 90 days	**262,416**	190,087
91 – 180 days	**154,045**	86,605
181 – 365 days	**51,133**	82,322
1 – 2 years	**45,346**	44,304
Over 2 years	**20,993**	22,135
	533,933	425,453

The average credit period on purchases is 90 to 180 days.

Denominated in the currency other than the functional currency of relevant group entities:

	2014	2013
	RMB'000	RMB'000
US$	**28,149**	34,621
JPY	**15,447**	–
EUR	**6,330**	9,791
GBP	**1,679**	–
SG$	**757**	192
Thai Baht ("THB")	**27**	27
	52,389	44,631

31. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2014	2013
	RMB'000	RMB'000
Advance from customers	**60,606**	117,843
Accrued payroll and welfare	**61,510**	54,509
Interest payable	**17,871**	18,225
Other deposits, payables and accruals	**106,771**	192,260
Other tax payable	**82,628**	109,261
	329,386	492,098

31. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS – CONTINUED

Denominated in the currency other than the functional currency of relevant group entities:

	2014 RMB'000	2013 RMB'000
US$	3,379	1,757
JPY	17,231	103,928
	20,610	105,685

32. BANK BORROWINGS

	2014 RMB'000	2013 RMB'000
Secured bank borrowing	346,757	397,387

The amounts due are based on scheduled repayment dates set out in the loan agreements. At the end of 31 December 2014 and 2013, no bank loans have contained a repayment on demand clause.

The carrying amount of the Group's borrowings denominated in the currency other than the functional currency of relevant group entities are as follows:

	2014 RMB'000	2013 RMB'000
US$	39,815	61,331
JPY	27,342	–
EUR	–	13,738
	67,157	75,069

Floating interest rate borrowings were charged at the rates ranging from 2.24% to 8.63% (2013: 2.64% to 8.63%) per annum for the year ended 31 December 2014.

Details of pledge of assets for the Group's secured bank borrowings are set out in Note 40.

33. GUARANTEED NOTES

	2014 RMB'000	2013 RMB'000
Guaranteed notes	1,160,804	1,146,863

On 20 April 2011, the Company issued 7.75% guaranteed notes with the aggregate principal amount of US$200,000,000 (equivalent to approximately RMB1,306,371,000) and maturity date on 20 April 2016 (the "2016 Guaranteed notes") which are unsecured, unconditionally and irrecoverably guaranteed by certain oversea subsidiaries of the Company. The 2016 Guaranteed notes are listed on the Singapore Exchange Securities Trading Limited.

33. GUARANTEED NOTES – CONTINUED

According to the terms and conditions of the 2016 Guaranteed notes, at any time or from time to time prior to the maturity date, the Group may at its option redeem the notes at a redemption price set forth below.

Period	Redemption Price
Prior to 20 April 2014	107.750% of the principal amount, plus accrued and unpaid interest
20 April 2014 to 20 April 2015	103.875% of the principal amount, plus accrued and unpaid interest
On 20 April 2015 and thereafter	101.9375% of the principal amount, plus accrued and unpaid interest

The estimated fair value of the early redemption right is RMB47,000 at 31 December 2014 (2013: RMB3,954,000). The early redemption right has been recognised as embedded derivative financial asset in the consolidated statement of financial position, and a loss of RMB3,907,000 was recognised during the current year (2013: RMB5,619,000) (Note 8).

The effective interest rate is approximately 8.74% per annum after being adjusted for transaction costs.

There was no repurchase of the 2016 Guaranteed notes during the year ended 31 December 2014 and 2013.

34. SHARE CAPITAL

	2014 Number of shares '000 shares	2014 Amount HK'000	2013 Number of shares '000 shares	2013 Amount HK'000
Authorised:				
Ordinary shares of HK$0.01 each	**3,000,000**	**30,000**	3,000,000	30,000
Issued and fully paid:				
At 1 January and 31 December	**1,026,264**	**10,262**	1,026,264	10,262

	2014 RMB'000	2013 RMB'000
Shown in the consolidated statement of financial position	**9,548**	9,548

35. RESERVES

(a) Other reserve

The Group's other reserve includes an amount of RMB47,842,000 arising on the conversion of convertible notes issued by a subsidiary, an amount of RMB5,159,000 generated from acquisition of additional interest in a subsidiary and a deduction of an amount of RMB18,335,000 arising on the group re-organisation.

(b) Statutory surplus reserves

As stipulated by the relevant PRC laws and regulations, before distribution of profit each year, the subsidiaries as wholly-owned foreign enterprise with limited liability which have been established in the PRC shall set aside 10% of their profit to the statutory surplus reserves. The statutory surplus reserves can only be used, upon approval by the board of directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.

(c) Share option reserve

The Group's share option reserve represents the recognition of the fair value of share options of the Group determined at the date of grant of the share options over the vesting period.

36. DEFERRED INCOME

	Deferred income of system sales RMB'000 (Note a)	Arising from government grants RMB'000 (Note b)	Total RMB'000
At 1 January 2013	21,249	40,682	61,931
Addition	–	23,607	23,607
Released to profit or loss	(21,249)	(3,462)	(24,711)
At 31 December 2013	–	60,827	60,827
Addition	–	10,835	10,835
Released to profit or loss	–	(12,735)	(12,735)
At 31 December 2014	**–**	**58,927**	**58,927**

Notes:

(a) The Company's subsidiary, Beijing Jiaoda Microunion has entered into arrangement to provide maintenance and operational services for the systems installed of up to ten years and it recognises revenue over the period during the services are provided. Service fees received in advance are recorded as deferred income and recognised as service fee income when the services are rendered.

(b) Deferred income arising from government grant represents the government subsidies obtained in relation to the purchase of the land use right and the infrastructure construction, which was included in the consolidated statements of financial position as deferred income and credited to the consolidated statements of comprehensive income on a straight-line basis over the expected useful life of the relevant assets.

37. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the bank borrowings and guaranteed notes disclosed in notes 32 and 33 respectively, and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The Directors review the capital structure on an annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the results of the review of the Directors, the Group will balance its overall capital structure through the payment of dividends, raising new share capital as well as the issue of new debt or the redemption of existing debt.

38. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Embedded derivative financial asset	47	3,954
Loans and receivables (including cash and cash equivalent)	2,465,934	2,559,688
Available-for-sale financial assets, at cost	64,217	64,217
Financial liabilities		
Amortised cost	2,227,652	2,239,363

b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, embedded derivative financial asset, trade and bills receivables, other receivables, pledged bank deposits, bank balances and cash, trade payables, other payables, dividend payable, bank borrowings and guaranteed notes. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, currency risk and liquidity risk. The Group's overall financial risk management objectives and policies remain unchanged from prior years. The Directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual debt at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on cash and cash equivalents and bank deposits is limited because the banks are with good reputation. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for all trade receivables as at the end of the reporting period.

38. FINANCIAL INSTRUMENTS – CONTINUED

b) Financial risk management objectives and policies – continued

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases which expose the Group to foreign currency risk.

The carrying amounts of the Groups' foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**1,232,147**	1,244,572	**133,911**	190,855
HK$	**–**	–	**202**	174
JPY	**60,020**	103,928	**89,497**	124,772
EUR	**6,330**	23,529	**27,335**	4,889
SG$	**757**	192	**25**	146
GBP	**1,679**	–	**3**	3
THB	**27**	27	**–**	–
IDR	**–**	–	**–**	2,714
TOTAL	**1,300,960**	1,372,248	**250,973**	323,553

The Group currently does not have a formal foreign currency hedging policy. The management reviewed and monitored the currency risk exposure regularly.

The following table details the Group's sensitivity to a 1% (2013: 1%) increase and decrease in RMB against the major foreign currencies. 1% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 1% (2013: 1%) change in foreign currency rates. A negative number below indicates a decrease in profit for the year where RMB weakens 1% against foreign currencies. For a 1% strengthening of RMB against foreign currencies, there would be an equal and opposite impact on the profit, and the balances below would be positive.

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
US$	**(11,085)**	(10,678)
JPY	**246**	177
EUR	**176**	(158)

In the opinion of the Directors, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

38. FINANCIAL INSTRUMENTS – CONTINUED

b) Financial risk management objectives and policies – continued

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate guaranteed notes disclosed in Note 33. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

The Group was also exposed to cash flow interest rate risk in relation to pledged bank deposits, bank balances and variable-rate bank borrowings (see Note 32 for details of these borrowings). It is the Group policy to maintain certain borrowings at floating rate of interests and therefore the related fair value interest rate risk is considered limited.

The Group's sensitivity to cash flow interest rate risk is prepared assuming the amount of variable-rate borrowings at the end of the reporting period was outstanding for the whole year. A 25 (2013: 25) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	2014	2013
Reasonably possible change in interest rate	**25 basis points**	25 basis points

	2014 **RMB'000**	2013 RMB'000
Increase (decrease) in post-tax profit for the year		
as a result of increase in interest rate	**(220)**	(165)
as a result of decrease in interest rate	**220**	165

The sensitivity analysis in interest rate does not affect other components of equity.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Directors, which had built an appropriate liquidity risk management framework. The Group manages liquidity risk by maintaining adequate reserves, debentures and banking facilities, by continuously monitoring forecast and actual cash flows. As at 31 December 2014, the Group has available unutilised banking facilities of approximately RMB721,541,000 (2013: RMB1,171,337,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived based on the interest rate at the end of each reporting period.

38. FINANCIAL INSTRUMENTS – CONTINUED

b) Financial risk management objectives and policies – continued

Liquidity risk – continued

At 31 December 2014	Weighted average effective interest rate %	On demand or within 3 months RMB'000	3 months to 6 months RMB'000	6 months to 1 year RMB'000	1 year to 2 years RMB'000	2 years to 3 years RMB'000	3 years to 4 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade payables	–	143,071	166,673	224,189	–	–	–	533,933	533,933
Bank borrowings	5.70	207,904	28,774	116,319	–	–	–	352,997	346,757
Other payables	–	94,460	41,681	50,011	–	–	–	186,152	186,152
Dividend payable	–	6	–	–	–	–	–	6	6
Guaranteed notes	8.74	–	45,525	45,525	1,220,373	–	–	1,311,423	1,160,804
		445,441	282,653	436,044	1,220,373	–	–	2,384,511	2,227,652

At 31 December 2013	Weighted average effective interest rate %	On demand or within 3 months RMB'000	3 months to 6 months RMB'000	6 months to 1 year RMB'000	1 year to 2 years RMB'000	2 years to 3 years RMB'000	3 years to 4 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade payables	–	127,958	79,347	218,148	–	–	–	425,453	425,453
Bank borrowings	5.87	180,203	97,773	126,824	–	–	–	404,800	397,387
Other payables	–	96,819	54,114	114,061	–	–	–	264,994	264,994
Dividend payable	–	4,666	–	–	–	–	–	4,666	4,666
Guaranteed notes	8.74	–	45,361	45,361	90,722	1,215,966	–	1,397,410	1,146,863
		409,646	276,595	504,394	90,722	1,215,966	–	2,497,323	2,239,363

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

38. FINANCIAL INSTRUMENTS – CONTINUED

c) Fair value measurements of financial instruments

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

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	At 31 December 2014	At 31 December 2013			
Early redemption right classified as embedded derivative financial asset in the consolidated statement of financial position.	**Assets – RMB47,000**	Assets – RMB3,954,000	Level 3	The fair value of the embedded derivative financial asset is derived from the difference of the quoted market price of guaranteed notes extracted from Bloomberg and the fair value of the liability component of the guaranteed notes which was based on discounted cash flows using a discount rate of 7.79% as at 31 December 2014 (2013: 6.56%).	Discount rate of the liability component (Note)

Note: An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the early redemption right, and vice versa.

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

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31 December 2014		31 December 2013	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
2016 Guaranteed notes – liability component	**1,160,804**	**1,179,524**	1,146,863	1,189,657

The fair value of the financial liabilities included in the level 3 category above has been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

38. FINANCIAL INSTRUMENTS – CONTINUED

c) Fair value measurements of financial instruments – continued

(iii) Reconciliation of Level 3 fair value measurements

	Embedded derivative financial asset RMB'000
At 1 January 2013	9,573
Changes in fair value during the year	(5,619)
At 31 December 2013	3,954
Changes in fair value during the year	(3,907)
At 31 December 2014	47

Changes in fair value are included in "other gains and losses"(Note 8).

39. DISPOSAL OF BUSINESS

On 12 August 2013, the Company's subsidiary, Beijing CAG Material & Equipment Technology Co., Ltd. ("Beijing CAG") disposed its Global System for Mobile communications for Railways operations ("GSM-R") at consideration of RMB25,156,000 to an independent third party.

The details of net assets disposed of were as follows:

	RMB'000
Trade receivables	15,036
Prepayments	11,465
Trade payables	(5,591)
Advance from customers	(2,459)
Net assets disposed of	18,451
Gain on disposal of business	6,705
Total consideration	25,156
Satisfied by	
Cash	7,346
Other receivables	17,810
	25,156
Net cash inflow arising on disposal:	
Cash consideration received	7,346

40. PLEDGE OF ASSETS

At the end of the reporting period, certain of the Group's assets were pledged to secure banking facilities granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of the reporting period is as follows:

	2014 RMB'000	2013 RMB'000
Buildings	**158,625**	163,665
Land use rights	**51,657**	48,971
Inventories	**66,346**	80,004
Trade receivables	**85,300**	30,000
Bills receivable	**48,600**	11,300
Pledged bank deposits	**118,894**	140,887
	529,422	474,827

The amounts disclosed above includes the assets of the Group pledged at 31 December 2014 to obtain corporate guarantee from an independent third party for the banking facilities of RMB50,000,000 (2013: RMB38,959,000) granted to the Group. The aggregate carrying amount of these assets are as follows: buildings amounted to approximately RMB 28,134,000 (2013: RMB29,292,000); and land use right amounted to approximately RMB 7,767,000 (2013: RMB8,001,000). In addition, the Group paid approximately RMB1,125,000 (2013: RMB622,000) to the independent third party for the corporate guarantees provided.

41. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	**22,084**	19,191
In the second to fifth year inclusive	**53,000**	15,258
	75,084	34,449

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for a lease term ranging from one to five years and rentals are fixed at the date of signing of lease agreements.

42. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements – in respect of acquisition of property, plant and equipment	**7,615**	15,724

43. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 16 June 2007 for the primary purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the following participants: (i) any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of each member of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group; (iii) any consultants, professional and other advisers to each member of the Group (or persons, firms or companies proposed to be appointed for providing such services); (iv) any chief executives of the Company or substantial shareholders; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees (whether full-time or part-time) of substantial shareholders. The Scheme will remain valid for a period of ten years commencing on 16 June 2007.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

An amount of HK$1 is payable by eligible employee to the Company on acceptance of the option as consideration for the grant. Options may be exercised at any time from 12 months to the fifth anniversary of the date of grant. The options are exercisable in three tranches at the first, second and third anniversary from date of grant respectively, each with one third of the total options granted. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

On 25 July 2014, the Company granted 102,626,000 share options to directors and certain employees of the Group ("Grantees") to subscribe for a total of 102,626,000 ordinary shares of HK$0.01 each in the share capital of the Company under the share option scheme adopted by the Company on 16 June 2007, subject to acceptance by the Grantees.

Among the share options granted above, 12,260,000 share options were granted to the Directors to subscribe for a total of 12,260,000 shares in the Company and 90,366,000 share options were granted to certain employees of the Group to subscribe 90,366,000 shares in the Company.

At 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 102,626,000 (2013: Nil), representing 10% (2013: Nil) of the shares of the Company in issue at that date. There are no share options lapsed during the year.

43. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme – continued

The following tables disclose details of the Company's share options held by the Grantees and movements in such holdings under the share option scheme during the year:

					Number of options ('000)			
	Date of grant	Vesting period	Exercise period	Exercise price	Outstanding at 31 December 2013	Granted during the year	Exercised/ lapsed during the year	Outstanding at 31 December 2014
Tranche 1	25 July 2014	25 July 2014 to 24 July 2015	25 July 2015 to 24 July 2018	HK$1.60	–	34,209	–	34,209
Tranche 2	25 July 2014	25 July 2014 to 24 July 2016	25 July 2016 to 24 July 2018	HK$1.60	–	34,209	–	34,209
Tranche 3	25 July 2014	25 July 2014 to 24 July 2017	25 July 2017 to 24 July 2018	HK$1.60	–	34,208	–	34,208
					–	102,626	–	102,626
Exercisable at the end of the year								–
Weighted average exercise price					–	HK$1.6	–	HK$1.6

Exercise Price of the share options granted is HK$1.6 per share which represents the highest of (i) the closing price per Share of HK$1.6 on the date of grant of the Share Options, i.e. 25 July 2014; (ii) the average closing price of HK$1.56 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the Share, being HK$0.01.

During the year, the Group recognised share-based expenses of RMB1,735,000 (2013:Nil). The total fair value of the options calculated by using the binomial model was HK$8,880,000 (equivalent to approximately RMB7,005,000).

The following assumptions were used to calculate the fair value of share options:

Share Price (HK$)	1.21
Exercise Price (HK$)	1.60
Assumed Time to Maturity	4 years
Risk-free Interest Rate	1.18%
Annualised Volatility	45.88%
Expected Dividend Yield	0.92%

Expected volatility was determined by using the historical volatility of the Company over the most recent period commensurate with the expected life of the share options and reflects the assumption that the historical volatility is indicative of future trends.

43. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme – continued

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimation. Changes in variables and assumptions may result in changes in the fair value of the options.

44. RETIREMENT BENEFITS SCHEME

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme which are calculated based on 20% of the employee's basic salaries during both years.

In accordance with the relevant mandatory provident fund laws and regulations of Hong Kong, the Group operates a MPF Scheme for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group and under the control of an independent MPF service provider. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions under the scheme.

45. RELATED PARTY TRANSACTIONS

The remuneration of key management personnel during the year was as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits	27,181	21,943
Retirement benefit scheme contributions	529	552
Equity-settled share-based payments	333	–
	28,043	22,495

46. EVENT AFTER THE REPORTING PERIOD

On 23 March 2015, an indirect wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement (the "Agreement") with independent parties to dispose of 76.7% equity interest in Beijing Jiaoda Microunion at a cash consideration of RMB811,650,000. Completion of the Agreement shall be conditional upon the Company having obtained the approval by the shareholders of the Company at an extraordinary general meeting and the transactions contemplated thereunder (including but not limited to the transfer of the 76.7% equity interest in Beijing Jiaoda Microunion) in accordance with the applicable laws, rules and articles of association of the Company. Upon completion of the Agreement, Beijing Jiaoda Microunion will cease to be a subsidiary of the Company and the related assets and liabilities will be derecognised accordingly.

47. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 RMB'000	2013 RMB'000
Non-current assets		
Investment in subsidiaries	326,489	346,126
Amounts due from subsidiaries	884,010	912,922
Property, plant and equipment	2	5
Embedded derivative financial asset	47	3,954
	1,210,548	1,263,007
Current assets		
Other receivables and prepayments	346	331
Dividends receivables	290,636	242,631
Amounts due from subsidiaries	393,411	382,938
Bank balances and cash	1,970	2,186
	686,363	628,086
Current liabilities		
Other payables and accruals	18,497	18,255
Amounts due to subsidiaries	7,226	6,085
Dividend payable	6	6
Bank borrowings – due within one year	–	30,583
	25,729	54,929
Net current assets	660,634	573,157
Total assets less current liabilities	1,871,182	1,836,164
Capital and reserves		
Share capital	9,548	9,548
Share premium and reserves	700,830	679,753
Total equity	710,378	689,301
Non-current liabilities		
Guaranteed notes	1,160,804	1,146,863
	1,871,182	1,836,164

47. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY – CONTINUED

Movement in capital and reserves

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total Equity RMB'000
At 1 January 2013	9,548	648,367	–	57,292	715,207
Loss and other comprehensive loss for the year	–	–	–	(5,458)	(5,458)
Dividend distributed	–	–	–	(20,448)	(20,448)
At 31 December 2013	9,548	648,367	–	31,386	689,301
Profit and other comprehensive income for the year	–	–	–	19,342	19,342
Recognition of share-based payments (Note 43)	–	–	1,735	–	1,735
At 31 December 2014	9,548	648,367	1,735	50,728	710,378

48. PARTICULAR OF SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2014 %	2013 %	Principal activities
Tricon International Group Inc.	BVI	Ordinary shares US$1	100	100	Investment holding
Trisen International Limited	BVI	Ordinary shares US$5,000	100	100	Investment holding
Cowin Global	BVI	Ordinary shares US$1	100	100	Investment holding
Inovex Corporation	USA	Ordinary shares US$1	100	100	Business development and provision of engineering services in overseas markets
Tri-sen Systems Corporation	USA	Ordinary shares US$1	100	100	Business development and provision of turbo machinery controls to the process industries
日本イノベックス株式会社 Tri-sen Systems Japan Corporation	Japan	Ordinary shares JPY10,000,000	100	100	Business development and provision of control equipment
Consen Automation (Singapore) Pte. Limited	Singapore	Ordinary shares S$1,000,000	100	100	Overseas business development and provision of engineering services
Trisen Asia Control Pte. Limited	Singapore	Ordinary shares S$1,500,000	70	70	Distribution, training and engineering of instrumentation and control products

48. PARTICULAR OF SUBSIDIARIES OF THE COMPANY – CONTINUED

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2014 %	2013 %	Principal activities
北京康吉森自動化設備技術有限責任公司 Beijing Consen (Note i and ii)	PRC	Registered capital RMB230,000,000	**100**	100	Provision of systems design and development, trading of equipment safety and critical control systems
北京康吉森交通技術有限公司 Beijing Transportation (Note i)	PRC	Registered capital RMB70,000,000	**100**	100	Design, development and sales of railway interlocking system
北京創康自動化工程有限公司 Beijing Tri-Control Automation Company Limited (Note i and ii)	PRC	Registered capital US$1,000,000	**100**	100	Provision of systems design and development, trading of equipment and engineering and maintenance services of safety and critical control systems
北京交大微聯科技有限公司 Beijing Jiaoda Microunion (Note i)	PRC	Registered capital RMB100,000,000	**76.7**	76.7	Design, development and sales of railway interlocking system
北京天竺興業軟件技術有限公司 Beijing Software (Note i and ii)	PRC	Registered capital US$40,000,000	**100**	100	Research and development as well as software programming and licensing
北京力博遠投資管理有限公司 Beijing Liboyuan Investment Management Company Limited (Note i and ii)	PRC	Registered capital RMB10,000,000	**100**	100	Investment holding
北京恒通方大新材料技術有限公司 Beijing Hengtong Fangda New Materials and Technology Company Limited (Note i)	PRC	Registered capital RMB10,000,000	**100**	100	Design, development and sales of construction material for railway and highroad, as well as technology service
北京恒優聯科技有限公司 Beijing Heng Youlian Technology Company Limited (Note i)	PRC	Registered capital RMB20,000,000	**100**	100	Imports and exports of goods and technology as well as an agent of imports and exports
北京康吉森油氣工程技術有限公司 Consen Oil and Gas (Note i)	PRC	Registered capital RMB50,000,000	**100**	100	Trading of equipment of safety and critical control systems as well as technology service
北京康吉森過程控制技術有限公司 Consen Process Control Technology Company Limited (Note i)	PRC	Registered capital RMB20,000,000	**100**	100	Development and trading of petrochemical automation control system
北京中自化物資裝備技術有限公司 Beijing CAG (Note i)	PRC	Registered capital RMB50,000,000	**100**	100	Trading of equipment of safety and critical control systems
北京康吉森儀器儀錶有限公司 Beijing Consen Instrument Company Limited (Note i)	PRC	Registered capital RMB1,000,000	**100**	100	Development and trading of instrument
北京上方雲水軟件技術有限公司 Beijing Shang Fang (Note i)	PRC	Registered capital RMB10,000,000	**100**	100	Software development and integrated circuit design
北京海澱中京工程設計軟件技術有限公司 Zhongjing (Note i)	PRC	Registered capital RMB50,000,000	**70**	70	Engineering design services

48. PARTICULAR OF SUBSIDIARIES OF THE COMPANY – CONTINUED

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2014 %	2013 %	Principal activities
南京華士電子科技有限公司 Nanjing Electronic Scientific (Note i)	PRC	Registered capital RMB21,203,265	51	51	Design, production, sale and installation of electrified equipment for the railway rolling stock and locomotive industries
南京華士電源設備有限公司 Nanjing Power Equipment. (Note i)	PRC	Registered capital RMB46,800,000	51	51	Design, production, sale and installation of electrified equipment for the railway rolling stock and locomotive industries
北京恒泰日新軟件技術有限公司 Beijing Heng Tai (Note i)	PRC	Registered capital RMB10,000,000	100	100	Software development and integrated circuit design
吳忠儀錶有限責任公司 Wuzhong (Note i)	PRC	Registered capital RMB320,000,000	100	100	Manufacture of industry automatic control valves
寧夏朗盛精密製造技術有限公司 Ningxia Langsheng Foundry Company Limited (Note i)	PRC	Registered capital RMB33,030,000	100	100	Manufacture of steel-casting
寧夏吳忠儀錶上海有限公司 Wuzhong Instrument (Shanghai) Company Limited (Note i)	PRC	Registered capital RMB10,000,000	100	100	Manufacture of industry automatic control valves
北京吳忠儀錶銷售有限公司 Wuzhong Sales (Beijing) Company Limited (Note i)	PRC	Registered capital RMB10,000,000	100	100	Sales of industry automatic control valves
寧夏菲麥森流程控制技術有限公司 Ningxia Fei Mai Sen (Note i)	PRC	Registered capital RMB5,000,000	100	100	Software development and design of process control products
吳忠儀錶(銀川)工程技術服務有限公司 Wuzhong Engineering Services (Yinchuan) Company Limited (Note i)	PRC	Registered capital RMB20,000,000	100	100	Provision of engineering services
北京中京實華新能源科技有限公司 Zhongjing Shihua (Note i)	PRC	Registered capital RMB72,550,000	51	51	Production of biodiesel fuel and related technology services
北京中京征和環保服務有限公司 Beijing Zhongjing Zhenghe Environmental Services Company Limited (Note i)	PRC	Registered capital RMB10,000,000	97.1	97.1	Collection and transportation of biodiesel base oil materials
拉薩經濟技術開發區康吉森投資有限公司 Lhasa Consen Investment Company Limited (Note i)	PRC	Registered capital RMB1,000,000	100	100	Investment management and trading, as well as technology service
Tri-Control Automation Company Limited	Hong Kong	Ordinary shares HK$10,000,000	100	100	Trading of automation products
Consen International (Hong Kong) Limited	Hong Kong	Ordinary shares HK$20,000,000	100	100	Trading of automation products

48. PARTICULAR OF SUBSIDIARIES OF THE COMPANY – CONTINUED

Notes:

(i) The English names of these companies are for reference only and have not been registered.

(ii) These subsidiaries are registered as wholly foreign-owned enterprise under PRC law.

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non–controlling interests	
		2014	2013	2014	2013	2014	2013
Beijing Jiaoda Microunion	Beijing	23.3%	23.3%	8,372	9,720	133,110	142,390
Individually immaterial subsidiaries with non-controlling interests						192,886	198,940
						325,996	341,330

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Beijing Jiaoda Microunion

	2014 RMB'000	2013 RMB'000
Current assets	486,270	525,141
Non-current assets	294,364	349,129
Current liabilities	(175,356)	(223,665)
Non-current liabilities	(33,989)	(39,487)
Total equity	571,289	611,118
– Attributed to owners of the Company	438,179	468,728
– Attributed to non-controlling interests	133,110	142,390

48. PARTICULAR OF SUBSIDIARIES OF THE COMPANY – CONTINUED

Beijing Jiaoda Microunion – continued

	2014 RMB'000	2013 RMB'000
Revenue	299,475	319,780
Expenses	(263,542)	(278,062)
Profit and other comprehensive income for the year	35,933	41,718
– Attributable to owners of the Company	27,561	31,998
– Attributable to the non-controlling interests	8,372	9,720
Dividends declared to non-controlling interests	11,650	11,650
Net cash inflow from operating activities	21,185	153,903
Net cash outflow from investing activities	(18,513)	(12,686)
Net cash outflow from financing activities	(51,707)	(132,902)
Net cash (outflow) inflow	(49,035)	8,315

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Revenue	1,594,828	1,981,015	2,210,754	2,308,801	**2,217,985**
Profit before tax	362,248	296,804	162,753	122,287	**79,415**
Income tax (expense) credit	(41,802)	(53,156)	(34,341)	(37,338)	**(32,670)**
Profit attributable to equity holder of the parent	285,581	195,774	84,583	73,574	**35,272**

ASSETS AND LIABILITIES

	At 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Non-current assets	667,252	1,087,111	1,252,288	1,324,431	**1,376,825**
Current assets	2,064,853	2,967,562	3,424,335	3,453,309	**3,322,379**
Current liabilities	(692,784)	(744,844)	(1,298,132)	(1,345,108)	**(1,214,177)**
Net current assets	1,372,069	2,222,718	2,126,203	2,108,201	**2,108,202**
Total assets less current liabilities	2,039,321	3,309,829	3,378,491	3,432,632	**3,485,027**

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Xuan Rui Guo (Chairman)
Mr. Kuang Jian Ping (Chief Executive Officer)
Mr. Huang Zhi Yong

Independent Non-executive Directors:

Mr. Wang Tai Wen
Mr. Sui Yong Bin
Mr. Ng Wing Fai

AUTHORIZED REPRESENTATIVES

Mr. Xuan Rui Guo
Mr. Chow Chiu Chi

AUDIT COMMITTEE

Mr. Ng Wing Fai (Chairman)
Mr. Wang Tai Wen
Mr. Sui Yong Bin

REMUNERATION COMMITTEE

Mr. Wang Tai Wen (Chairman)
Mr. Sui Yong Bin
Mr. Ng Wing Fai
Mr. Xuan Rui Guo
Mr. Huang Zhi Yong

NOMINATION COMMITTEE

Mr. Sui Yong Bin (Chairman)
Mr. Wang Tai Wen
Mr. Ng Wing Fai
Mr. Xuan Rui Guo
Mr. Kuang Jian Ping

SENIOR MANAGEMENT

Mr. Cui Da Chao
Mr. Zhou Zheng Qiang
Mr. Jiang Yi
Mr. Duan Min
Mr. Chen Yong
Mr. Ma Yu Shan
Ms Wang Yan Mei
Mr. Tian Lei
Mr. Wang Jing Hua
Mr. Lu Ming Yi
Mr. William Erik Barkovitz
Ms Dong Yan
Mr. Chow Chiu Chi

STOCK CODE

Hong Kong Stock Exchange 569

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Hong Kong:
CTBC Bank Co., Ltd, Hong Kong Branch
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited

PRC:
Agricultural Bank of China
Bank of Beijing
Bank of Communications
China Construction Bank
China Guangfa Bank
China Merchants Bank
Industrial and Commercial Bank of China
Ping An Bank
Shanghai Pudong Development Bank
The Hongkong and Shanghai Banking Corporation Limited

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Deloitte Touche Tohmatsu Certified Public Accountants

LEGAL ADVISERS

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Woo, Kwan, Lee & Lo
As to Cayman Islands law
Conyers Dill & Pearman