ZOOMLION

中聯重科股份有限公司

ZOOMLION HEAVY INDUSTRY SCIENCE AND TECHNOLOGY CO., LTD.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

H Share Stock Code : 1157
A Share Stock Code : 000157

2014 Annual Report

* For identification purpose only

Important notice

- The Board of Directors and the Supervisory Board of the Company and its directors, supervisors and senior management warrant that there are no misrepresentation, misleading statements or material omissions in this report and they shall, individually and jointly, accept full responsibility for the truthfulness, accuracy and completeness of the contents of this report.

- All directors attended the Board meeting at which this report was reviewed.

- Dr. Zhan Chunxin, Chairman of the Board, Ms. Hong Xiaoming, Vice-president and the person in charge of financial affairs, and Ms. Du Yigang, head of accounting department, warrant the truthfulness, accuracy and completeness of the financial report contained in this annual report.

- This report has been prepared in English and Chinese respectively. In case of discrepency, the Chinese version shall prevail, except for the financial statements prepared in accordance with International Financial Reporting Standards, of which the English version shall prevail.

- Definition

  Unless the context otherwise requires, the following terms shall have the meanings set out below:

  "The Company" or "Zoomlion" refers to Zoomlion Heavy Industry Science and Technology Co., Ltd.

  "Listing Rules" or "Listing Rules of Hong Kong" refers to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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Zoomlion Heavy Industry Science and Technology Co., Ltd.
2014 Annual Report

Company Profile

I. Company Information

Company name (in Chinese): 中聯重科股份有限公司
Chinese abbreviation: 中聯重科
Company name (in English): Zoomlion Heavy Industry Science And Technology Co., Ltd.*
English abbreviation: Zoomlion

Legal representative of the Company: Zhan Chunxin

Secretary of the Board of Directors/Company Secretary: Shen Ke
Representative of securities affairs: Guo Tao
Contact address: No. 361 Yinpen South Road, Changsha, Hunan Province
Telephone: (86 731) 88923908
Fax: (86 731) 85651157
E-mail: 157@zoomlion.com

Registered address and place of business of the Company: No. 361 Yinpen South Road, Changsha, Hunan Province, the PRC
Postal code: 410013
Company website: http://www.zoomlion.com/
E-mail: 157@zoomlion.com

Authorised representatives: Zhan Chunxin, Shen Ke
Address: No. 361 Yinpen South Road, Changsha, Hunan Province, the PRC

Newspapers for disclosure of the Company's information: China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website publishing the A share announcement: http://www.cninfo.com.cn
Website publishing the H share announcement: http://www.hkexnews.hk

Listing information: A Shares
Shenzhen Stock Exchange of China ("SZSE")
Name: ZOOMLION
Stock Code: 000157
Corporate Bonds Name: 2008 Zoomlion Bonds (08中聯債)
Corporate Bonds Code: 112002
H Shares
The Stock Exchange of Hong Kong Limited ("SEHK")
Stock Name: ZOOMLION
Stock Code: 1157

II. Other relevant information

H Share Registrar: Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East,
Wan Chai, Hong Kong

Legal Advisors
As to PRC law: Beijing Hairun Law Firm
15/F, No. 1 Building, No. 59 Gaoliangqiao Xie Road, Haidian District, Beijing, the PRC
As to Hong Kong law: Norton Rose Fulbright Hong Kong
38/F, Jardine House, 1 Connaught Place, Central, Hong Kong

Auditors
Domestic auditors: Baker Tilly China Certified Public Accountants ("Baker Tilly China")
Room 208, Block B, Huatong Building, B 19 Chegongzhuang West Road,
Haidian District, Beijing, PRC
International auditors: KPMG
8/F, Prince's Building, 10 Chater Road, Central, Hong Kong

Significant events of Zoomlion in 2014

- 10 January, the ceremony of the 2013 State Science and Technology Awards was formally held at the Great Hall of the People, at which Zoomlion's project in relation to "key technology and application of super tower crane" was awarded second Prize of the National Science and Technology Advancement Award.
- 19 January, the National Brand Evaluation and 2013 Chinese Five Star Brand Forum was held, at which Zoomlion was awarded the Five Star Enterprise Brand of China.
- March, Zoomlion formally established the only national concrete machine engineering technology research center, and the project was approved on 22 October.
- 2 April, Zoomlion completed the transfer of equity interest in the merger and acquisition project of m-tec, a world top German brand of dry-mixed mortar equipment.
- 15 May, the consecutive release of the brand new truck cranes 25T and 55T marked the formal commencement of production of the first continuous assembly automatic production line in the construction machinery industry worldwide.
- 1 July, the "National Machinery Industry 33rd Reliable Quality Team and Quality Management Group Representative Conference" (全國機械工業第三十三次質量信得過班組、質量管理小組代表大會) (also known as "Double Representative Conference") was held in Hefei City, Anhui. Zoomlion won the award of "Outstanding Business for the National Construction Machinery Industry Quality Control Activities", and was granted 9 first prizes and 6 second prizes in the "National Machinery Industry Reliable Quality Team and Quality Management Group Representative Conference".
- 7 July, the inauguration of the branch of the National Emergency Transportation Equipment Engineering Technology Centre and Industrialisation Base (國家應急交通運輸裝備工程技術中心分中心暨產業化基地) was held in Zoomlion.
- 14 July, Fortune announced the 2013 China 500 Enterprises list. Leveraging its outstanding performance, Zoomlion took up the top position in machinery equipment manufacturing industry.
- 19 July, the 2014 Summit Forum on Risk Management of China Listed Companies and the 5th Gold Shield Award Presentation Ceremony was held in Beijing, at which Zoomlion was awarded the Gold Shield Award, the top prize in Chinese Enterprises Legal Risk Management.
- 26 July, the delivery ceremony of the world's largest made-to-order T3000 flat-top tower crane was held in Zoomlion's Changde Industrial Park.
- 8 August, Zoomlion acquired 35% interest in Holland Raxtar, a company with leading edge in the global elevator market, and a signing ceremony was held. This represented the initial step of Zoomlion's endeavor in becoming a global leader in the construction elevator industry.
- 19 August, Zoomlion proposed to acquire 60% equity interest of Chery Heavy Industry Co., Ltd. with a cash consideration of RMB2,088 million, which represents the implementation of the Company's agricultural machinery strategies.
- 11 September, The Boston Consulting Group of America announced in the Summer Davos Forum the list of top 100 "Global Challengers" in 2014, in which Zoomlion was ranked the 28th and was the only selected enterprise in the construction machinery industry.
- 24 September, Zoomlion ranked 128th among "Asia's 500 Most Influential Brands" in 2014 at the World Brand Laboratory Award and we are the only Chinese construction machinery enterprise receiving this honor.

- 26 September, the Italy Milan World Expo 2015 Roadshow Press Conference in China and the Cooperation Agreement Signing Ceremony was held in the Italy Centre in Beijing. Zoomlion, as the only global partner in construction machinery and agricultural machinery in 2015 Milan World Expo China Pavilion, took part in the construction of Milan World Expo site.

- 28 October, the China International Agricultural Machinery Exhibition (CIAME) officially commenced at Wuhan International Expo Center. Zoomlion's two major brands "King of Crops" (谷王) and "King of Agriculture" (耕王) were first introduced with a strong portfolio of 41 comprehensively upgraded machinery models and 6 major innovative products, leaving a strong impression to and drawing much attention from the industry.

- 29 October, the Corporate Internationalisation Bluebook (企業國際化藍皮書) published by the Center for China & Globalisation (CCG) and Social Sciences Academic Press (China) — *Report on Chinese Enterprises Globalisation (2014)* (《中國企業國際化報告(2014)》) released the "Chinese Enterprises Globalisation Top 50" list, in which Zoomlion was ranked the 29th.

- 29 October, the Construction Machinery Leasing Division of China Construction Machinery Industry Association 2014 Annual Conference and China Construction Machinery Leasing Industry Prize Presentation Ceremony (中國工程機械工業協會工程機械租賃分會2014年年會暨中國工程機械租賃業頒獎盛典) was held in Chengdu, in which Zoomlion Finance and Leasing (Beijing) Co., Ltd. of our financial services branch was granted two major awards in the 2014 China Construction Machinery Leasing Industry — "Most Competitive Brand — Top Ten Finance Leasing Enterprises" (最具競爭力品牌 — 十大融資租賃企業) and "2014 China Construction Machinery Leasing Industry Top 50 Enterprises" (2014年中國工程機械租賃業50強企業).

- 3 November, Li Keqiang, the Premier of the State Council held a forum to listen to the opinions and advice of experts and scholars as well as the management of corporations in respect of the current economy and the future economic plans. Chairman Zhan Chunxin, was the first entrepreneur delivering a speech, reported on three aspects, namely, current industry condition, the operation of the Company and suggestions.

- 6 November, in the "Gold Round Table Forum" (金圓桌論壇) and Prize Presentation Ceremony for board of directors among listed companies initiated and held by the Board of Directors Magazine, Zoomlion was granted the 7th time the "Excellent Board of Directors Award — Gold Round Table Award for the Board of Directors among PRC Listed Companies" (中國上市公司董事會金圓桌獎 — 最佳董事會獎).

- November, Zoomlion's revolutionary new energy product CIFA ENERGYA series hybrid fuels green mixer was granted the "Red Dot Design Award" (紅點設計大獎) in the global design field, which is the first time the construction machinery industry being given this honor.

- 25 November, Zoomlion introduced 27 models of high-technology innovative products in six categories in Bauma China 2014 (2014上海寶馬展), comprehensively showcased reliable, green and intelligent research philosophies and advanced technologies.

- 9 December, the preparation work of the Agricultural Machinery Industry "13th Five-Year" Development Plan (農機工業"十三五"發展規劃) commenced and Zoomlion took part in the preparation.

- December, in the second Chinese Modern Agricultural Equipment Conference (中國現代農業裝備大會), Zoomlion was granted the "2014 Most Popular Agricultural Machinery Brand among Chinese Users" award.

Chairman's Statement

Dear Shareholders:

2014 is a year of commencement for the comprehensive deepening of reforms and a year of transition with historical meaning for China. For the Chinese construction machinery industry, it is a year of continued toughness and a year for calm and rational reflection. For Zoomlion, it is a year of reforms, self-empowerment and reinforcements as well as a year of readiness, enhancements and improvements.

In the past year, we overcame some of the toughest challenges. We, however, did not lose our spirit in face of obstacles, which is Zoomlion's inborn deposition. The endeavor Zoomlion made at hard times is a painting showcasing Zoomlion's dedication to triumph over adversities. Zoomlion's strategic direction has never been so definite. Our pace of transformation and upgrading has never been so firm. Our operational management has never been so exhaustive. The recession in the market not only enlightened us with profound insight, but also, through polishing our structure and raising our spirit, enabled us to develop our survival ability against hardships.

Is this not another summit? After adjusting its pace and accumulating energy, Zoomlion will be able to go further and higher!

Chairman

Zhan Chunxin

In 2015, the steady growing trend of the macro economy will continue and the transformation and upgrading of the equipment manufacturing industry will become the new normal stage. To enhance our competitiveness under the new economic normal stage, Zoomlion's path to excellence inevitably involves continued improvement and adaptation so we can eventually lead the new normal stage. After going through comprehensive restructuring of concepts, techniques, products, markets and management, Zoomlion returns to the origin where we set off and to retrieve the courage we had when we started from scratch. We keep our enthusiasm and eagerness towards the market while rebuilding ourselves through eternal passion and tremendous courage.

"Strategic improvement, management reform, product upgrade and business transformation" will be Zoomlion's main development direction in 2015. We will resume our sensitivity and control of the market. We will develop a borderless platform which vertically and horizontally integrates research, development and manufacturing so the success will be shared by all parties. We will utilise the strong synergistic effect of the hard power and soft power of the industry and the financial market. More importantly, we will treasure and nurture the "craftsmanship" with care while endeavor to strengthen technology, quality, costs and services with our best thinking and action.

Chairman's Statement

We will get through the winter no matter how long it is. We will achieve the destination no matter how far it is. We will overcome the difficulty no matter how insurmountable it is. Self-transcendence makes our improvement more meaningful. In the 23rd anniversary of the establishment of Zoomlion, we are standing at a new starting point where we are ready to set off and improve. We firmly believe in a bright future where we will bring an upgraded Zoomlion to society amid a trend of reforms that are packed with numerous challenges and unbounded possibilities.

At last, I would like to extend my gratitude to all shareholders, the community, customers and all the hardworking employees for their contribution and support for the development of the Company during the year.

Chairman
Zhan Chunxin

28 March 2015

Principal Financial Data and Indicators

I. Major Financial Data prepared in accordance with China Accounting Standards ("PRC GAAP")

(1) Major financial data and indicators

Unit: RMB

	2014	2013	Change	2012
Operating income	**25,851,195,135.57**	38,541,775,254.36	-32.93%	48,071,173,508.14
Net profit attributable to shareholders of the Company	**594,068,242.20**	3,838,972,797.15	-84.53%	7,330,048,993.92
Net profit attributable to equity shareholders of the Company after extraordinary items	**318,289,572.95**	3,715,833,541.57	-91.43%	7,139,793,408.29
Net cash flow from operating income	**-7,690,132,991.82**	736,769,778.08		2,960,289,862.91
Basic earning per share	**0.08**	0.50	-84.00%	0.95
Diluted earning per share	**0.08**	0.50	-84.00%	0.95
Return on net assets	**1.45%**	9.22%	-7.77%	17.96%

	End of 2014	End of 2013	Change	End of 2012
Total assets	**93,757,955,793.25**	89,537,157,719.77	4.71%	88,974,464,566.71
Net assets attributable to shareholders of the Company (shareholders' equity attributable to equity shareholders of the Company)	**40,830,793,317.80**	41,619,087,301.05	-1.89%	40,802,141,704.02

(2) Extraordinary items and amounts

Unit: RMB

Item	2014	2013	2012
Loss on disposal of non-current assets (including written off of provision for impairment of assets)	**-7,810,779.43**	-21,579,314.51	-19,224,024.44
Government grants recorded in current profit and loss, except government grants of fixed amount or quantity closely related to business operations of the Company and entitled pursuant to government unified policy	**306,889,004.92**	110,668,309.33	212,062,991.73
Excess of interest in the fair value of investees' identifiable net assets over investment costs of subsidiaries, associates and joint ventures acquired	**2,180,689.36**	—	—
Gain/(loss) from debt restructuring	**3,283,352.83**	-8,857,820.57	-5,606,189.78
Change in fair value of financial assets and liabilities held for trading and gain from disposal of financial assets held for sale other than financial assets and liabilities held under hedging arrangement in relation to normal business	**-11,194,074.61**	3,423,993.72	-17,782,644.09
Non-operating income and expenses other than those set out above	**36,679,912.51**	59,229,910.54	60,368,147.14
Less: Income tax effect	**53,297,678.82**	19,128,092.71	39,093,317.70
Minority interests after tax	**951,757.51**	617,730.22	469,377.23
Total	**275,778,669.25**	123,139,255.58	190,255,585.63

II. Major Financial Data of the Company of the Past Five Years prepared in accordance with International Financial Reporting Standards ("IFRSs")

Unit: RMB million

Turnover and profits	2014	2013	2012	2011	2010
Turnover	**25,851**	38,542	48,071	46,323	32,193
Profit before taxation	**863**	4,527	8,858	9,602	5,416
Income tax	**(235)**	(570)	(1,329)	(1,429)	(828)
Profit for the year	**628**	3,957	7,529	8,173	4,588
Profit for the year attributable to:					
Equity shareholders of the Company	**594**	3,844	7,330	8,066	4,666
Non-controlling shareholders	**34**	113	199	107	(78)
Basic and diluted earnings per share (RMB)	**0.08**	0.50	0.95	1.05	0.74
Gearing ratio (%) (Note)	**56.03**	53.06	53.73	50.25	56.49

Note: Gearing ratio is calculated based on the total liabilities divided by total assets at the end of the respective reporting period.

Unit: RMB million

Assets and liabilities	2014	2013	2012	2011	2010
Non-current assets	**23,847**	24,549	25,691	23,701	19,372
Current assets	**69,871**	64,948	63,243	47,842	43,670
Current liabilities	**25,211**	32,725	34,109	26,652	26,067
Net current assets	**44,660**	32,223	29,134	21,190	17,603
Total assets less current liabilities	**68,507**	56,772	54,825	44,891	36,975
Non-current liabilities	**27,299**	14,760	13,676	9,296	9,540
Net assets	**41,208**	42,012	41,149	35,595	27,435
Total equity attributable to equity shareholders of the Company	**40,791**	41,579	40,762	35,407	27,376
Non-controlling interests	**417**	433	387	188	59

III. Reconciliation of Financial Data under PRC GAAP and IFRSs

Unit: RMB million

	Net profit attributable to equity shareholders of the Company		Net assets attributable to equity shareholders of the Company	
	Current year	Last year	Carried forward	Brought forward
Under PRC GAAP	594	3,839	40,831	41,619
Items and amounts adjusted under IFRSs				
Acquisition related costs incurred on prior year business combination(1)	—	—	-40	-40
Special reserve for production safety(2)	—	5	—	—
Under IFRSs	594	3,844	40,791	41,579

(1) Since acquisition-related cost of RMB40 million incurred in 2008 was recognised in the cost of business combination in accordance with PRC GAAP while recognised in profit or loss in accordance with IFRSs, this results in the difference between the net assets attributable to equity shareholders of the Company under those two accounting standards;

(2) Under PRC GAAP, safety production fund should be accrued and recognised in profit or loss with a corresponding credit in reserve according to relevant PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related equipment are purchased, is reduced by the purchased cost with a corresponding increase in the accumulated depreciation. Such fixed assets are not depreciated thereafter. Under IFRSs, expense is recognised in profit or loss when incurred, and fixed assets are capitalised and depreciated in accordance with applicable accounting policies.

Report of the Board of Directors

The Board of Directors of the Company is pleased to announce the Report of the Board of Directors for the year ended 31 December 2014 together with the audited financial statements of the Company and the Group.

I. Overview

Economic development varied more widely among advanced economies in 2014, with the growth in developing economies slowing down, indicating a still bumpy road ahead to global economic recovery. The growth of fixed assets investment and real estate investment in the PRC hit decade low and China's economic growth entered into a "new normal" stage. The construction machinery industry continued to face challenges such as overcapacity, sluggish market demand, assimilation of inventory risks and the throes of plummeting operation results. Meanwhile, driven by the increase in the state's investment in the construction of environmental protection infrastructure, the contribution of environmental industry to the GDP continued to rise, providing an unprecedented opportunity for the development of the environmental industry. The market capacity is enormous with extensive development prospects.

Confronting the complicated and severe external environment, the Company has tackled the challenge with deliberation and adjusted its operation strategies in a timely manner. Adhering to the operation philosophy of "achieving quality growth" that centers around "improving efficiency, streamlining operation, increasing revenue, lowering costs and enhancing effectiveness", the Company has strived for consolidating its operation quality and laying a sound foundation for further growth in the unfavorable environment so as to fuel the future development and develop the philosophy and way of operation that would provide the Company an opportunity to fit in and be the pioneer amidst the 'new normal' stage of marco-economy. The Company secured a strong position in the markets of major products and ranked among the top in terms of the market share of concrete machinery and crane machinery, and was the first in terms of the market share of environmental and sanitation machinery.

1. Strategic transformation saw initial results

We were dedicated to implement strategic transformation. We succeeded in transforming from a sizable construction machinery enterprise into a world leading high end multi-sectors equipment manufacturer specialising in construction machinery, environmental industry, agricultural machinery and financial services.

(1) We achieved substantial breakthrough in implementing our development strategy in agricultural machinery sector through the proposed acquisition of Chery Heavy Industry Co., Ltd. and the establishment of Zoomlion Heavy Machinery Co., Ltd.

(2) We relocated our environmental industry sector to a new industrial zone to alleviate the constraints on production capacity, resulting in a relatively significant improvement in results of operation. At the same time, we made a breakthrough in the treatment of kitchen waste and construction waste as well as the industrialisation of waste classification equipment.

(3) We have obtained approval from the CBRC in relation to the establishment of a finance company, and the preparation work has been formally commenced.

2. Accelerating global market exploration

The Company's development of global market gained first-mover advantage by streamlining the platforms and network layout in countries such as Russia, India, Indonesia, Turkey and Africa. We actively participated in the "integration of construction and operation", construction of overseas economic cooperation zone and China-Africa industrial partnership as encouraged by the Ministry of Commerce. We persistently optimised the global deployment of resources and completed the acquisition of m-tec Group of Germany while acquiring 35% equity interest in Raxtar, a Holland company. At the same time, our service centre in Brazil has finished construction and commenced operation. Meanwhile, the Company has maintained a close relationship with sizable construction companies that adhered to the "One Belt and One Road" policy.

The Company further optimised its global strategy for internationalisation by setting up local bank financing platforms in Brazil and Thailand and adopting diversified sales methods in the overseas markets. It has entered into contracts with local logistics suppliers in Brazil, Singapore and Dubai and established a preliminary global logistics network. The Company has also completed the construction, upgrade and renovation of warehouses for spare parts in Hong Kong, Singapore, Dubai and Brazil in order to establish a global backup system for our products and services.

During the reporting period, the Company recorded a growth in overseas sales of 3.88% as compared to the same period of last year, against the backdrop of shrinking exports across the industry.

3. Reforming business model by integrating informatisation and industrialisation

There were innovative breakthroughs in the endeavor for further integration of informatisation and industrialisation, which gradually progressed from "production and operation management optimisation" to "comprehensive, in-depth and integrated information application". The Company's credit sales system has commenced the first direct online operation between the bank and the enterprise, laying a solid foundation for conducting new businesses such as "cloud mortgage" for construction machinery in the future. Leveraging the Internet of Things and intelligent control technology, which promoted the innovation of production, operation and services management models, and with support of the online operations of the official WeChat platform and GPS monitoring platform, the Company could perform intelligent tracking of customers' needs and, product information, customise product manufacturing and monitor the whole process of product movement in order to speed up the Company's transformation and upgrade from a traditional manufacturer to a high-end intelligent manufacturing services provider. These efforts also set a promising start for the Company to reform, upgrade and develop new business models, and laid a foundation for the Company to ride on the "new normal" by being high in efficiency, low in cost and top in providing services.

4. Consolidating industry leading position by self-initiated innovation

The Company initiated "Blue Number 6" Scheme. The Company adopted a new incentive scheme to speed up the development and industrialisation of innovative products in the new fields of machine-made sand, dry-mixing, waste classification and construction waste, in order to develop new profit drivers.

During the reporting period, our project in relation to key technology and application of super tower crane was awarded second Prize of the National Science and Technology Advancement Award. The "100 meter-level aerial platform fire engine", a "Twelfth Five-Year" National Science and Technology Support Project undertook by the Company, passed the inspection of the Ministry of Public Security. The Company developed the world's largest floor type machine-made sand production line by dry-process method, ZSL250 (乾法樓式機製砂生產線 ZSL250). CIFA ENERGYA series hybrid power mixer was awarded the Red Dot Design Award in the world industrial design area and 5250TXS road washer was awarded the Second Prize of China Machinery Industry Science & Technology Award.

The only National Engineering Technology Research and Development Center for Concrete Machinery in China was approved to be set up by the Company and the project has passed the acceptance procedure. An international standard proposal of Safety Standards for Remote Operation of Lifting Appliances was approved. An international standard project of the Section I of Machinery and Equipment for the Preparation of Concrete and Mortar: Terminology and Commercial Specifications (ISO/AWI 19720-1) which was led and undertook by the Company, was successfully put forward, achieving a breakthrough from zero for setting up international standard for the industry. The Company successfully held annual conferences for two International Conference Standards, ISO/TC96 and ISO/TC195, respectively, showing its strong technological strength in the international stage.

5. Further strengthening of management

(1) Strengthening comprehensive risk management and control on market operation

1) The Company strongly implemented the policy of "one customer, one strategy" for recovering overdue loans. Basing on current market situation, the Company, by focusing on each customer and each piece of equipment, re-conducted customer rating, assets classification and evaluation. The Company formulated specific risk reaction plans and assessed the specific responsible person. The Company also set up a dedicated team to clear, monitor and handles each of the seriously overdue invoices, so as to recover debts effectively.

2) The Company established and enhanced the GPS monitoring platform. By applying the technology of the Internet of Things, equipment can be tracked, warned and verified, so as to reduce the risk of uncontrolled equipment.

3) The Company strengthened its monitoring and optimisation of the key business processes of credit sales by setting up twelve monitoring areas of the key business processes and relying on the credit sales management system for closed-loop monitoring of the whole process. Under the premise that the residual value of equipment exceeded the outstanding amount of debts, the overdue risk of each piece of equipment was calculated in a dynamic and real-time manner by credit sales management system and different risk control measures were timely adopted corresponding to different warning levels in order to mitigate operational risks.

4) The Company strictly controlled the risk on multiple fronts, including tightening of credit policies, strengthening the credit assessment on customers, giving up low quality orders proactively and enforcing the responsibility for overdue payment collection.

5) The Company enhanced the management and control system of second-hand equipment by opening up processing channels of recycling, re-manufacturing and re-sale. The Company set up institutions specialised in strengthening of the complete process of second-hand equipment management; established a proactive mechanism for recycling of second-hand equipment so as to cut loss in time. The Company also established grading standards for second-hand equipment. Second-hand equipment was repaired and maintained under different classifications and grades according to its actual condition. The Company accelerated the processing of second-hand equipment through different channels such as direct sales, franchise leasing, investment and share purchase and auctions.

(2) Strenuous promotion of cost reduction and efficiency enhancement

1) Reducing procurement cost The Company reduced procurement cost significantly by adopting measures such as streamlining suppliers, re-consolidating supplier resources, domestication of imported parts and unification of supporting technology. Procurement cost was hugely reduced and long-term mechanism for cost reduction and efficiency enhancement was established gradually.

2) Inventory control By controlling incomings through ways such as strengthening linkage between production and sales and improving the accuracy of production plans and diverting outgoings through ways such as improving turnover of prototypes by increasing sales and marketing efforts and accelerating the disposal of obsolete stocks, the Company reduced the regular inventory level as well as the use of funds.

3) Clearing up expenses By performing an overall analysis on cost structure, changing trend and budget execution, the expenses management model and process were optimised. The Company adhered to the "tightening its belt" principle for the management and control of expenses so as to strictly control each and every expense.

(3) Implementation of complete value chain management of second-hand equipment

The advantages of being a manufacturer were fully utilised by refining the relevant management measures from the whole value chain perspective and implementing the comprehensive management process of "one registration per machine" covering each of the processes from sales of new machine, recycling of equipment, re-manufacturing to re-sale with a view to refining the management of second-hand equipment.

(4) Implementing streamlining concretely

The Company fully commenced its work on the streamlining of processes and optimising of projects. Multi-level, complex and inefficient business processes were optimised and enhanced, which effectively improved the Company's management efficiency.

The Company deepened the implementation of the cultural activities of "being a qualified Zoomlion staff" series, aiming at optimising the allocation of human resources, unifying the spirits of staff and strengthening the senses of responsibility and cohesion of the team, so as to reduce labour costs.

6. The Management showing confidence on the prospect of the Company through reducing salaries and increasing shareholdings

During the reporting period, the management team of the Company offered to reduce salaries by 50% from 1 July 2014 as a whole until results of operation of the Company improved while certain Directors, Supervisors, Senior Management and core management personnel of our Company proposed to hold an additional 169,000,000 shares of the Company by purchasing the shareholdings of Good Excel Group Limited, which showed the Management's confidence in the continuous and stable development of the Company in the future, enhanced the interests of the Management and shareholders as a whole and promoted the continuous and stable development of the Company.

II. Analysis of Financial position

Details of the financial position of the Company are set out in “Management Discussion and Analysis”.

III. Analysis of core competitiveness

1. Capabilities to formulate strategies with foresight and implement strategies effectively ensured the long-term and healthy development of the Company

The Company emphasised on the study of the developing trend of the industry worldwide in formulating its global strategy. The Company focused on its development in the international market and strengthened the foresight of its strategic directions to ensure development on the right track.

Proactive strategies demonstrated the foresight and insight of the management of a company. The Company employed the development strategy of division and agglomeration pursuant to the principle of professionalism, securitisation and internationalisation. The Company capitalised on the international and domestic economic development trend acutely and procured the transformation and upgrading of corporate strategies in a timely manner, successfully transforming its business from focusing on single sector to multiple sectors and also from relying on domestic market to both international and domestic markets. In addition, the transparent governance structure, system and procedures and the streamlined management structure allowed effective implementation of its strategies and procured sustainable and healthy development of the Company.

2. Successful implementation of corporate culture made the Company a pioneer and leader in the industry for integrating domestic and overseas resources

The Company has merged and acquired dozens of domestic and foreign enterprises since 2001, which represents a new practice in the PRC construction machinery industry to integrate overseas resources. The Company acquired CIFA, an enterprise based in Italy, in 2008, which represented the acquisition of the world’s most advanced technology by Zoomlion and making the Company a pioneer in the internationalisation of the industry and maintained a leading position in the industry. The management team acquired extensive experience through numerous mergers and acquisitions. With the success of the merger and acquisition, the Company has developed the five basic principles of merger and acquisition, namely “leniency, sharing, accountability, regulation and synergy” from its experience. In 2014, the Company completed the acquisition of m-tec Group of Germany, and the acquisition of 35% equity interest in Raxtar, a Holland Company, and proposed to acquire 67.51% equity interest in Chery Heavy Industry Co., Ltd., respectively. These enterprises were integrated into the Company successfully with thanks to its corporate culture. In addition, the Company employed talents with extensive experiences through acquisitions, and the management problems raised after merger and acquisition were solved.

3. The Company formulated standards for the industry with products and technologies leading the development of the industry

The predecessor of Zoomlion was Changsha Construction Machinery Research Institute under the former Ministry of Construction. With more than 50 years of experiences in machinery technology, it can be regarded as the origin of construction machinery technologies in the PRC. Zoomlion participated in the formulation of standards of the construction machinery industry in the PRC and formulated and revised over 300 national and industrial standards. It is also the only enterprise participated in the formulation and revision of International Organisation for Standardisation (ISO) standards as a representative from the construction machinery industry in PRC. As the first ISO secretariat established in the PRC, the Company enhanced the influence of PRC construction machinery in entering international market for the benefit of the whole industry.

The Company has a national technology research center, the only National Key Laboratory on Key Technologies for Construction Machinery and the only National Engineering Technology Research Center for Concrete Machinery in the PRC. The Company possessed core technologies for construction machinery and obtained various National Science and Technology Advancement Awards, leading the technology development of the industry. The Company focused on solving potential and basic technological R&D difficulties for the industry, launching around 200 new products during the year, accounting for approximately 60% of the turnover of the Company. The Company maintained its leading industrial position in terms of number of patents applied. In 2014, the Company were granted over 340 invention patents, ranking the top in the industry.

4. Transparent corporate governance safeguarded interests and returns of the shareholders

Zoomlion has maintained a healthy and balanced equity structure to realise and maximise the interests of all shareholders of the Company. The Board of the Company consists of seven Directors, four of which are Independent Directors, exceeding half of the total number of members of the Board. These four Independent Directors are experts in strategy, management, finance and human resources. The Board has established four committees, each of which mainly consists of Independent Directors. Such governance structure ensures the independence and professionalism of the Board, providing effective and rational decisions for the Company. Moreover, Zoomlion has been listed in 2008 with a completely transparent financial disclosure system. The Company no longer has a parent company. All transactions are entered into in accordance with market practises in order to preclude any potential transmission of benefits. Such arrangements carry through the principle of transparency, fairness and justice, safeguarding the interests of both domestic and overseas shareholders, especially the minority shareholders, and establishing a solid foundation for the long term and stable growth of the Company.

5. Excellent resource allocation and high operation efficiency promoted steady development of the Company

Zoomlion has excellent resource allocation and high operation efficiency. For personnel allocation, the efficiency per capita is higher than the average level in the industry due to the reasonable scale and structure of its human resources. For asset allocation, the Company has adopted a prudent approach in investments in fixed assets, resulting in higher economic benefits from fixed assets per unit as compared with the average level in the industry. As the development of the industry slowed down, higher operation efficiency and lower fixed costs will promote steady growth of the Company.

IV. Outlook for 2015

(I) Industry development trend and market outlook

1. Construction machinery market

China's ten golden years of construction machinery industry development has ended, upon which the market hit an L-shaped bottom and entered into a consolidation period with little fluctuation. Despite the constraints of transformation of domestic economy and overcapacity, market opportunities remain sizable. In 2015, the country will implement prudent monetary and proactive fiscal policy, while accelerating the construction of railways, airports and water conservation infrastructure. Meanwhile, the construction machinery industry will also benefit from the "One Belt and One Road" policy, Jing-Jin-Ji Integration Development Program, and the implementation and promotion of Yangtze River economic zone. With the continual increase of medium and small scale urban construction projects, the future for small and micro-sized as well as multifunctional products is promising. At the same time, the implementation of National IV standard will boost the market demand for energy saving and environmentally friendly products.

In terms of overseas market, construction machinery companies will leverage on the implementation of the national "One Belt and One Road" strategy and enhance the market exploration in Eastern Asia, South East Asia, Central Asia, Africa and South America, where market demands are strong, through strategic investments in foreign countries, supporting foreign enterprises and setting up localised factories. It is expected that companies which made early preparation in relation to the "One Belt and One Road" policy will outperform other competitors.

2. **Environmental industry market**

The environmental industry sees unprecedented growth opportunity. With the advancement of urbanisation and improvement of quality of city management, market demand for traditional environmental and sanitation machinery will stay on an increasing trend. As social awareness of environmental issues is raising, the government will continually increase efforts in water, soil and air pollution treatments, hence the development of environmental industry, including businesses of sewage treatment, waste classification and disposal of solid wastes, will remain fast and rapid. It is expected that companies with higher technology innovation capacity, better product portfolio and stronger brand influence will gain more competitive edge.

3. **Agricultural machinery market**

The growth in agricultural machinery industry will remain steady in medium and long term. Basing on the increasing land transformation, continuous control on straw burning, promotion of agricultural modernisation and enhancing agricultural investment, the Ministry of Agriculture predicted that the penetration rate of crop farming and harvesting machinery in China will reach 70% by 2020 with large-scale, multifunctional, specialised, whole-set and environmentally friendly agricultural machines becoming the mainstream products. Companies with stronger capital resources and competitive edges will benefit from the growing industry.

(2) Major business objectives in 2015

Looking into 2015, the Company will strive to achieve progress under the “new normal” stage of macroeconomic development. It will adhere to the principles of “strategic improvement, management reform, business transformation and product upgrade”, and commit to improve efficiency, streamline operation, increase revenue, lower costs and enhance effectiveness in order to achieve growth under the “new normal” stage.

The construction machinery sector will continue to enhance quality, capacity and stability. It will endeavor to strengthen product function, quality, costs control and services with excellent craftsmanship. The sector will accelerate the development of overseas market and the exploration of the reform on the traditional business model of equipment manufacturing industry, so as to effectively enhance the overall competitive edge of our products and maintain steady profit growth.

The environmental industry sector will speed up the pace of achieving sizable growth. It will input more resources and actively seise strategic opportunity through reforming R&D, organisational structure, marketing model and incentive scheme, in order to gain first mover advantage. The sector will continue to enhance the competiveness and market share for traditional environmental and sanitation machinery products, as its environmental products will focus on the disposal of domestic waste and kitchen waste, thereby forming a comprehensive solution for the disposal of domestic waste and kitchen waste and setting an exemplary model of engineering project. The sector aims at creating a brand new environmental-friendly corporate image of “supplier of environmental treatment solution and whole set equipment”.

The agricultural machinery sector will promote innovation and upgrade its management to achieve continuous growth. It will implement in-depth consolidation of resources, sharing and integration of cultures. Meanwhile, it will reinforce the construction of demonstrative projects in relation to integration of agricultural machinery and agronomy, and develop more high-end, intelligent and multifunctional products, with the ultimate goal of becoming the country's leading provider of comprehensive solution for mechanisation of agricultural production.

The finance service sector will diversify its business scope and consolidate its foundation for management. It will endeavor to operate the finance company well and integrate resources across the industrial and financial sectors, so as to facilitate business development.

(3) Overall Objectives for 2015

The Company aims to achieve a turnover of RMB30.8 billion in 2015.

V. Profit Distribution and Bonus Dividend

At the annual general meeting of 2013 held on 27 June 2014, the Company considered and approved "Resolution regarding the Amendments to the Articles of Association". Profit distribution policies, especially the differentiated cash dividend policy, are defined specifically in the Articles of Association. The Company has emphasised on shareholders' returns and strictly complied with the relevant requirements of regulatory authorities. Since its listing in 2000, the Company has distributed cash dividend in every year. As at 31 December 2014, the accumulative cash dividend distributed by the Company amounted to RMB7,548,863,220 and issued 3,761,030,000 bonus shares and allotted 2,496,947,000 additional shares.

According to the profit distribution plan for 2014 of the Company, based on the total share capital of 7,705,954,050 shares, the Company will pay cash dividend of RMB0.05 (tax inclusive) for every share and will not issue bonus shares by capitalisation of the capital reserve.

According to the profit distribution plan for 2013 of the Company, based on the total share capital of 7,705,954,050 shares, the Company will pay cash dividend of RMB0.15 (tax inclusive) for every share and will not issue bonus shares by capitalisation of the capital reserve.

According to the profit distribution plan for 2012 of the Company, based on the total share capital of 7,705,954,050 shares, the Company will pay cash dividend of RMB0.2 (tax inclusive) for every share and will not issue bonus shares by capitalisation of the capital reserve.

VI. Reception of Research Investigations, Communications and Interviews during the Reporting Period

Date of reception	Place of reception	Activity	Type of target group	Target group	Particulars and information provided
3 November 2014	Hong Kong	Strategic meeting	Institution	Macquarie Securities	I. Main content: 1. The development of the industry in the fourth quarter of 2014, as well as the prospect of the industry; 2. The development history, corporate culture, historical operation condition and strategic plans of the Company; 3. The competition and comparison of advantages of various product segments in the industry; 4. Explanations to other enquiries. II. Information 1. Periodic reports and ad hoc announcements of the Company 2. Brochures of products
5 November 2014	Beijing	Strategic meeting	Institution	Merrill Lynch Securities	
12 November 2014	Singapore	Strategic meeting	Institution	Morgan Stanley	
17 November 2014	Hong Kong	Strategic meeting	Institution	Goldman Sachs	
18 November 2014	Hong Kong	Strategic meeting	Institution	Daiwa Securities	
1 December 2014	Japan	Strategic meeting	Institution	BNP	
9 December 2014	Hong Kong	Strategic meeting	Institution	J.P. Morgan	
10 December 2014	Shenzhen	Strategic meeting	Institution	China Merchants Securities	
11 December 2014	Hong Kong	Strategic meeting	Institution	Citibank	
16 December 2014	Shenzhen	Strategic meeting	Institution	Essence Securities	
18 December 2014	Xiamen	Strategic meeting	Institution	Huachuang Securities	

VII. Pre-emptive Rights

The Articles of Associations and laws of China do not contain any pre-emptive provision requiring the Company to issue new shares to existing shareholders on a pro-rata basis according to their existing shareholdings.

VIII. Property, Plant and Equipment

Movements of the property, plant and equipment of the Company during the reporting period are set out in note 12 to the financial statements prepared under IFRSs.

IX. Major suppliers and customers

Total purchases by the Company from the top five suppliers amounted to RMB3,008,847,644.14, accounting for 18.37% of the aggregate annual purchase of the Company and total purchases by the Company from the largest supplier accounted for 8.78% of the aggregate annual purchase of the Company. To the best knowledge of the Directors, during the reporting period, none of the directors, supervisors, their associates or shareholders holding more than 5% of the Company's share capital in issue had an interest in the top five suppliers of the Company.

Total sales to the top five end-customers of the Company amounted to RMB836,521,044.62, accounting for 3.24% of the aggregate annual sales of the Company and the total sales to the largest end-customers of the Company accounted for 0.85% of the aggregate annual sales of the Company. To the best knowledge of the Directors, during the reporting period, none of the directors, supervisors, their associates or shareholders holding more than 5% of the Company's share capital in issue had an interest in the top five end-customers of the Company.

X. Donations

During the reporting period, the charity donations and other donations of the Company amounted to approximately RMB13.34 million in aggregate.

XI. Human Resources

As at 31 December 2014, the Company had employed a total of 20,314 employees. Details of the Company's staff costs and employee benefit plans for 2014 are disclosed in notes 5(b) and 24 to the financial statements prepared under IFRSs respectively.

XII. Charge on Assets

Details of the Company's charge on assets are set out in note 21 to the financial statements prepared under IFRSs.

XIII. Material investments and capital assets

On 15 August 2014, the third extraordinary meeting of 2014 of the 4th session of the Board of the Company resolved to participate in the bid for the 1.8 billion shares in Chery Heavy Industry Co., Ltd. at a cash consideration of RMB2,088 million. On 30 December 2014, the Company proposed to acquire an additional 225.3 million shares in Chery Heavy Industry Co., Ltd. at a cash consideration of RMB261 million. The transaction was completed on 4 January 2015.

Management Discussion and Analysis

The following management discussion and analysis is based on IFRSs financial statements data.

Overview

We are a leading China-based construction machinery manufacturer providing comprehensive and diversified products and value-added services and have experienced significant growth in the last decade benefiting from China's ongoing urbanisation and significant growth in the infrastructure sector. Our product lines include: (i) concrete machinery, (ii) crane machinery, (iii) environmental and sanitation machinery, (iv) road construction and pile foundation machinery, (v) earth working machinery, and (vi) finance lease services.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for 2014.

	Year Ended 31 December	
	2014	2013
	RMB	RMB
	millions	millions
Turnover	**25,851**	38,542
Cost of sales and services	**(18,642)**	(27,300)
Gross profit	**7,209**	11,242
Other revenues and net income/(loss)	**164**	(49)
Sales and marketing expenses	**(3,036)**	(3,631)
General and administrative expenses	**(2,347)**	(2,701)
Research and development expenses	**(443)**	(570)
Profit from operations	**1,547**	4,291
Net finance costs	**(692)**	195
Gain on disposal of associates	**7**	—
Share of profits less losses of associates	**1**	41
Profit before taxation	**863**	4,527
Income tax	**(235)**	(570)
Profit for the year	**628**	3,957
Attributable to:		
Equity shareholders of the Company	**594**	3,844
Non-controlling interests	**34**	113

Turnover

We generate turnover primarily from the following operating segments:

Concrete machinery;

Crane machinery;

Environmental and sanitation machinery;

Road construction and pile foundation machinery;

Earth working machinery; and

Finance lease services.

The following table sets forth the breakdown of our consolidated turnover by our operating segments for 2014:

	Year Ended 31 December	
	2014	2013
	RMB millions	RMB millions
Concrete machinery	**10,555**	17,191
Crane machinery	**7,423**	12,479
Environmental and sanitation machinery	**4,024**	3,282
Road construction and pile foundation machinery	**1,026**	1,731
Earth working machinery	**698**	772
Finance lease services	**930**	1,461
Total reportable segment revenue	**24,656**	36,916
Revenue from all other segments	**1,195**	1,626
Total	**25,851**	38,542

Our turnover decreased by 32.93% from RMB38,542 million for the year ended 31 December 2013 to RMB25,851 million for the year ended 31 December 2014. Economic development varied more widely among advanced economies in 2014, with the growth in developing economies slowing down, indicating a still bumpy road ahead to global economy recovery. The growth of fixed assets investment and real estate investment in the PRC hit decade low and China's economic growth entered into a "new normal" stage. The construction machinery industry continued to face challenges such as overcapacity, sluggish market demand, assimilation of inventory risks and the throes of plummeting operation results. Meanwhile, driven by the increase in the state's investment in the construction of environmental protection infrastructure, the contribution of environmental industry to the GDP continued to rise, providing an unprecedented opportunity for the development of the environmental industry. The market capacity is enormous with extensive development prospects.

In particular, our turnover from sales of concrete machinery decreased by 38.60% from RMB17,191 million for 2013 to RMB10,555 million for 2014. Our turnover from sales of crane machinery fell by 40.52% from RMB12,479 million for 2013 to RMB7,423 million for 2014, mainly attributable to the continuing slowdown in the growth of the state's fixed assets investment, especially the real estate investment, resulting in a further shrinkage of the market demand for our two major products, concrete machinery and crane machinery. At the same time, for the sake of risk control and high-quality operations, we have been adhered to a tight sales policy for the whole year, which also affected the revenue in certain extent. Our turnover from sales of environmental machinery increased by 22.61% from RMB3,282 million for 2013 to RMB4,024 million for 2014, which partially offset the effect brought by the decrease of revenue of construction machinery.

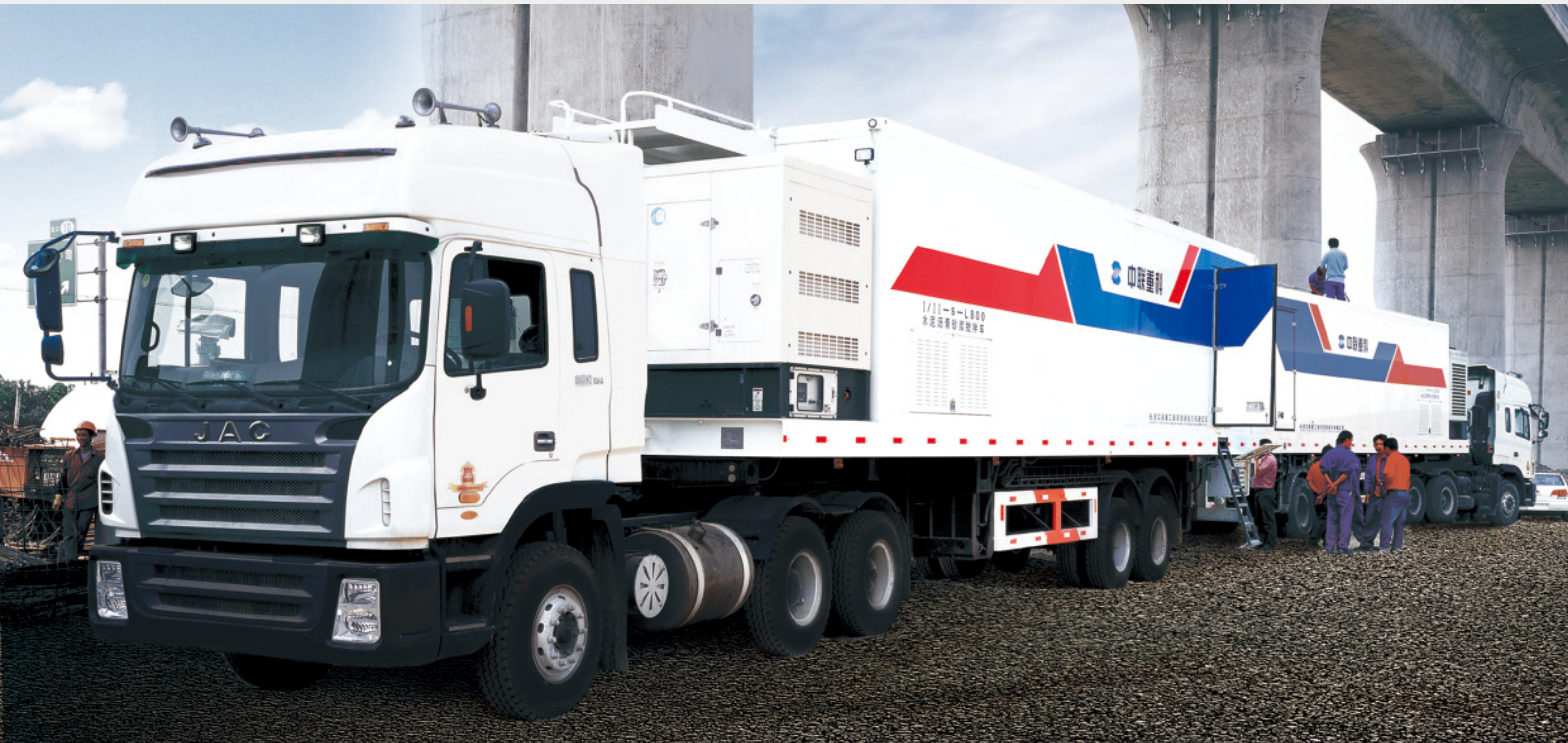
The following table sets forth the breakdown of our turnover by geographic sales location for 2014:

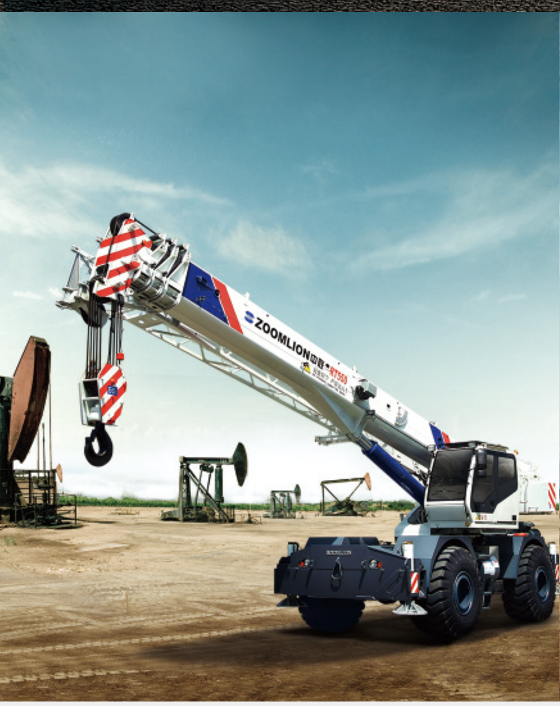
	Year Ended 31 December	
	2014	2013
	RMB millions	RMB millions
Mainland PRC	**22,956**	35,755
Outside PRC	**2,895**	2,787
Total	**25,851**	38,542

The following table sets forth the breakdown of our turnover by the end-customers' geographic location for 2014:

	Year Ended 31 December	
	2014	2013
	RMB millions	RMB millions
Mainland PRC	**22,110**	34,806
Outside PRC	**3,741**	3,736
Total	**25,851**	38,542

Management Discussion and Analysis





Cost of sales and services

Our cost of sales and services primarily consists of:

Raw materials, i.e., costs of raw materials, parts and components, including steel, branded chassis, hydraulic parts and components, engines, tires and electric controls, and a variety of other raw materials and fabricated or manufactured components;

Staff costs, including salaries and benefits for personnel directly involved in manufacturing activities;

Depreciation and amortisation of property, plant and equipment used for manufacturing purposes;

Costs of finance lease services, including fees, other surcharges and interest related to factoring of receivables under finance lease; and others, including manufacturing overhead, such as maintenance of production equipment and utility costs, including electricity, steam and water and costs associated with waste treatment.

The following table sets forth the major components of our cost of sales and services for 2014:

	Year Ended 31 December	
	2014	2013
	RMB	RMB
	millions	millions
Raw materials	**17,139**	25,614
Staff costs	**886**	1,021
Depreciation and amortisation	**326**	305
Costs of financial lease services	**2**	5
Others	**289**	355
Total cost of sales and services	**18,642**	27,300

Costs of raw materials, parts and components account for the majority of our cost of sales and services.

Due to the decrease in the volume of the Company's sales, our cost of sales and services reduced by 31.71% from RMB27,300 million for the year ended 31 December 2013 to RMB18,642 million for the year ended 31 December 2014, which was in line with the decrease in our sales and production volume.

Gross profit

The following table sets forth the gross profit by operating segments for the periods indicated:

	Year Ended 31 December	
	2014	2013
	RMB	RMB
	millions	millions
Concrete machinery	**2,368**	4,568
Crane machinery	**2,063**	3,361
Environmental and sanitation machinery	**1,200**	947
Road construction and pile foundation machinery	**325**	562
Earth working machinery	**43**	14
Finance lease services	**928**	1,456
Total reportable segment profit	**6,927**	10,908
Profit from all other segments	**282**	334
Total	**7,209**	11,242

Our gross profit decreased by 35.87% from RMB11,242 million for the year ended 31 December 2013 to RMB7,209 million for the year ended 31 December 2014. Our gross profit margin decreased from 29.17% for the year ended 31 December 2013 to 27.89% for the year ended 31 December 2014, which was attributable to the change of product mix and slight decrease in selling price.

Other revenues and net income

Our other revenues and net income is the net gain of RMB164 million for the year ended 31 December 2014 and the net loss of RMB49 million for the year ended 31 December 2013. The increase was mainly because we received more government awards relating to high-technology projects and tax refund in 2014 than 2013.

Sales and marketing expenses

Our sales and marketing expenses decreased by 16.39% from RMB3,631 million for the year ended 31 December 2013 to RMB3,036 million for the year ended 31 December 2014. Sales and marketing expenses as a percentage of our consolidated turnover increased from 9.42% for the year ended 31 December 2013 to 11.74% for the year ended 31 December 2014 primarily due to the fact that the Company was unable to achieve its sales target set at the beginning of the year and hence the deployment of sales resources were not commensurate with the expected target.

General and administrative expenses

Our general and administrative expenses decreased by 13.11% from RMB2,701 million for the year ended 31 December 2013 to RMB2,347 million for the year ended 31 December 2014. General and administrative expenses as a percentage of our consolidated turnover increased from 7.01% for the year ended 31 December 2013 to 9.08% for the year ended 31 December 2014 primarily due to the decrease of our turnover.

Research and development expenses

Our research and development expenses decreased by 22.28% from RMB570 million for the year ended 31 December 2013 to RMB443 million for the year ended 31 December 2014. We focused more on new technology research activities in 2014 which cost less than new product tests.

Profit from operations

As a result of the foregoing, our profit from operations dropped by 63.95% from RMB4,291 million for the year ended 31 December 2013 to RMB1,547 million for the year ended 31 December 2014. Our operating margin fell from 11.13% for the year ended 31 December 2013 to 5.98% for the year ended 31 December 2014.

Net finance costs

We had net finance income of RMB195 million for the year ended 31 December 2013 and net finance costs of RMB692 million for the year ended 31 December 2014. The fluctuation compared to 2013 is mainly due to the increase in interest expenses derived from additional interest-bearing borrowings, and the exchange losses arising from fluctuation of exchange rate in 2014.

Income tax expenses

Our income tax expenses dropped by 58.77% from RMB570 million for the year ended 31 December 2013 to RMB235 million for the year ended 31 December 2014 primarily due to a drop in sales and thus taxable income was decreased. Our effective income tax rate increased from 12.59% for the year ended 31 December 2013 to 27.23% for the year ended 31 December 2014, mainly attributable to the decreased taxable income of the Company and certain subsidiaries which entitled to a preferential tax rate of 15% as high-tech enterprise in 2014.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 84.13% from RMB3,957 million for the year ended 31 December 2013 to RMB628 million for the year ended 31 December 2014. Our net profit margin dropped from 10.27% for the year ended 31 December 2013 to 2.43% for the year ended 31 December 2014.

Profit attributable to equity shareholders of the Company

As a result of the foregoing, our profit attributable to shareholders of the Company decreased by 84.55% from RMB3,844 million for 2013 to RMB594 million for 2014.

Cash Flow and Capital Expenditure

During 2014, we financed our operations primarily through cash proceeds from loans and borrowings and issuance of medium-term notes. As of 31 December 2014, we had RMB14,483 million in cash and cash equivalents, most of which were denominated in Renminbi. Our cash and cash equivalents primarily consist of cash and demand deposits.

The following table sets forth a summary of our consolidated cash flows for 2014:

	Year Ended 31 December	
	2014	2013
	RMB	RMB
	millions	millions
Net cash (used in)/generated from operating activities	**(8,411)**	43
Net cash used in investing activities	**(1,891)**	(692)
Net cash generated from/(used in) financing activities	**8,230**	(2,754)
Net decrease in cash and equivalents	**(2,072)**	(3,403)
Effect of foreign exchange rate changes	**(102)**	(24)
Cash and cash equivalents at the beginning of the period	**16,657**	20,084
Cash and cash equivalents at the end of the period	**14,483**	16,657

Operating activities

In 2014, net cash used in operating activities was RMB8,411 million derived primarily from the profit before taxation of RMB863 million, adjusted to reflect the interest expenses of RMB1,260 million and depreciation and amortisation of RMB646 million, and deducting the following items: (i) the increase in trade and other receivables of RMB4,058 million; (ii) the decrease in trade and other payables of RMB5,166 million; (iii) the income tax payment of RMB632 million; (iv) the decrease in receivables under finance lease of RMB2,471 million; and (v) the payment for repurchase of equipment at fair market value from banks to which the Group previously factored its receivables under finance lease without recourse of RMB2,509 million, and the increase in inventories of RMB581 million.

Investing activities

In 2014, net cash used in investing activities was RMB1,891 million, consisting primarily of: (i) payments for the purchases of property, plant, equipment and land of RMB922 million; (ii) a decrease in pledged bank deposits of RMB1,004 million, (iii) payment for acquisition of investments in available-for-sale financial assets of RMB350 million, and (iv) prepayments of RMB2,088 million for the acquisition of Chery Heavy Industry Co., Ltd. and net cash of RMB239 million used in the acquisition of m-tec Group.

Financing activities

In 2014, net cash generated from financing activities was RMB8,230 million, consisting primarily of the proceeds from loans and borrowings of RMB14,296 million, offset by repayments of loans and borrowings of RMB12,707 million, net cash from issuance of medium-term notes of RMB8,991 million, dividends paid to equity shareholders of RMB1,156 million in cash and interest payments of RMB1,134 million, and payment on the acquisition of minority interest of RMB44 million.

Capital Expenditures

For the year ended 31 December 2014, our capital expenditures for the purchases of property, plant and equipment, intangible assets and lease prepayments amounted to RMB975 million.

Commitments and Contingent Liabilities

As at 31 December 2014, our commitment consisted of capital commitments that have been authorised and contracted for in the amount of RMB596 million, capital commitments that have been authorised but not contracted for in the amount of RMB4 million and operating lease commitments of RMB341 million, of which RMB113 million was payable within one year.

As at 31 December 2014, we had contingent liabilities of RMB14,525 million in connection to financial guarantees provided for certain bank loans obtained by our customers to finance their purchases of our products. Under the guarantee contracts, if the customers defaulted, we are entitled to repossess the product which had been purchased and pledged by the customers. For the year ended 31 December 2014, due to our customers' default, we paid RMB497 million to the banks under our guarantees.

Certain of finance lease contracts between us and our end-user customers are jointly arranged by our leasing subsidiaries and a third-party leasing company. Under the joint leasing arrangements, we provide guarantees to third-party leasing company that in the event of customers' default, we may be called upon to repay the leasing company for its share of the outstanding lease due from the respective customers. At the same time, we are entitled to repossess and sell the machinery as subject of the lease and retain any excess of the sale proceeds over the guaranteed amount that is payable to the leasing company. As at 31 December 2014, our maximum exposure to such guarantees was RMB5 million. The term of the guarantees is generally in line with the term of the lease contracts which generally ranges from two to five years. For the year ended 31 December 2014, there was no payment made to the third-party leasing company to repurchase the machinery under the guarantee arrangements due to our customers' default.

Starting from 1 January 2013, certain customers of the Group finance their purchase of the Group's machinery products through finance leases provided by third-party leasing companies. Under the third party leasing arrangements, the Group provides guarantees to the third-party leasing companies that in the event of customers' default, the Group may be called upon to repay the leasing companies for the outstanding lease payments due from the customers. At the same time, the Group is entitled to repossess and sell the machinery as subject of the lease, and retain any excess the guaranteed amount that is payable to the leasing companies. As at 31 December 2014, the Group's maximum exposure to such guarantees was RMB2,736 million. The term of these guarantees is generally in line with the term of the lease contracts which generally range from 2 to 5 years. For the year ended 31 December 2014, there was no payment made to repurchase machinery under the guarantee arrangement due to our customers default.

Working Capital and Indebtedness

The table below sets forth the details of our current assets and liabilities as of 31 December 2014:

	31 December	
	2014	2013
	RMB millions	RMB millions
Current assets		
Inventories	**10,376**	8,747
Other current assets	**280**	306
Trade and other receivables	**30,639**	26,569
Receivables under finance lease	**12,202**	10,228
Pledged bank deposits	**1,891**	2,441
Cash and cash equivalents	**14,483**	16,657
Total current assets	**69,871**	64,948
Current liabilities		
Loans and borrowings	**5,687**	8,397
Trade and other payables	**19,494**	23,891
Income tax payable	**30**	437
Total current liabilities	**25,211**	32,725

Our net current asset increased from RMB32,223 million as at 31 December 2013 to RMB44,660 million as at 31 December 2014, mainly attributable to the increase of trade and other receivables, and the decrease of trade and other payables.

Our outstanding loans and borrowings increased by 49.49% from RMB21,147 million as at 31 December 2013 to RMB31,612 million as at 31 December 2014, mainly attributable to the issue of medium-term notes of RMB9,000 million in 2014.

	As of 31 December	
	2014	2013
	RMB	RMB
	millions	millions
Current		
Secured short-term bank loans	**–**	832
Unseured short-term bank loans	**3,864**	5,208
Current portion of long-term bank loans	**1,823**	2,357
Total	**5,687**	8,397
Non-current		
Unsecured long-term bank loans	**11,610**	7,998
Unsecured bond	**1,098**	1,096
RMB medium-term notes	**8,991**	—
Guaranteed US dollar senior notes	**6,049**	6,013
Less: Long-term bank loans due within one year	**(1,823)**	(2,357)
Total	**25,925**	12,750

As at 31 December 2014, the aggregate outstanding principal amounts of our unsecured short-term and long-term bank loans were RMB3,864 million and RMB11,610 million respectively, RMB5,126 million of which require us to comply with certain restrictive financial covenants. As of 31 December 2014, we have not violated any of these restrictive financial covenants. If we were unable to comply with such restrictive financial covenants and were not exempted by the lending banks, we might be ordered to repay the bank loans immediately, and our liquidity will be adversely affected.

As at 31 December 2014, our facilities from 31 domestic and overseas financial institutions amounted to approximately RMB75,300 million have not been utilised. In addition, 11 domestic financial institutions have granted facilities in an aggregate amount of RMB23,900 million to us under non-recourse factoring arrangements.

Liquidity Risk

Exposure to liquidity risk arises in the normal course of the Company's business. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The following table sets out the remaining contractual maturities of the financial liabilities as of 31 December 2014, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current prevailing rates as of 31 December 2014) and the earliest date the Company would be required to repay:

	As at 31 December 2014					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	31,612	36,672	6,795	7,283	18,076	4,518
Trade and other payables	19,494	19,494	19,494	–	–	–
Other non-current liabilities	899	903	–	343	386	174
	52,005	57,069	26,289	7,626	18,462	4,692
Financial guarantees issued						
Maximum amount guaranteed	242	17,266	17,266	–	–	–

	As at 31 December 2013					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	21,147	24,464	6,668	919	12,162	4,715
Trade and other payables	23,891	23,891	23,891	—	—	—
Other non-current liabilities	1,542	1,563	—	858	633	72
	46,580	49,918	30,559	1,777	12,795	4,787
Financial guarantees issued						
Maximum amount guaranteed	248	17,712	17,712	—	—	—

The Company's management believes that the Company's current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Company's working capital requirements and repay its borrowings and obligations when they become due.

Credit Risk

Credit risk is primarily attributable to bank deposits, trade and other receivables, receivables under finance lease, financial guarantees and endorsed bills with full recourse which were derecognised by the Group. The maximum exposure to credit risk is represented by the carrying amount of these financial assets and guarantee obligations.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. Collaterals, such as properties, machinery or third party guarantees, are generally required from customers with lower credit ratings. In addition, credit insurance coverage is required for overseas sales. Certain customers are required to pay by letters of credit. Debtors overdue by three months or more are handled by risk management department which is responsible for recovering debts through legal and other actions. In respect of receivables under finance lease, a risk control committee is responsible for the establishment of credit risk management policies, the supervision on the implementation of such policies and determination of the key terms of the lease contracts. Credit review department, legal department, finance department and information technology department are collectively responsible for credit risk management and monitoring of settlement of receivables under finance lease. Bank deposits are placed with financial institutions that have high credit ratings. Given their credit ratings, management does not expect any counterparty to fail to meet its obligations.

Please refer to notes 17, 18 and 28 of the financial statements prepared under IFRSs for more quantitative information about the Company's credit risk.

Interest Rate Risk

Interest rate risk exposure arises primarily from bank deposits, receivables under finance lease, short-term and long-term bank and other borrowings. These financial instruments bearing interest at variable rates or at fixed rates expose us to cash flow interest rate risk and fair value interest rate risk, respectively.

Please refer to note 28 of the financial statements prepared under IFRSs for more quantitative information about the Company's interest rate risk.

Currency Risk

The Company is exposed to currency risk primarily through deposits, sales, purchases and borrowings which give rise to receivables, payables, loans and borrowings and cash balances that are denominated in a foreign currency, that is, a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US dollars, HK dollars, Japanese Yen and Euro.

Please refer to note 28 of the financial statements prepared under IFRSs for more quantitative information about the Company's currency risk.

Significant Events

I. Significant Guarantees during the Reporting Period

Unit: RMB ten thousand

Guarantee provided to subsidiaries by the Company						
Name of guarantee party	Disclosure date of the announcement regarding the guarantee	Guarantee limit	Actual date of event (the date of the signing of agreement)	Actual amount of guarantee	Type of Guarantee	Period of guarantee
ZOOMLION H.K. S.P.V. CO., LTD	29 March 2012	244,760	5 April 2012	244,760	General guarantee	5 years
ZOOMLION H.K. S.P.V. CO., LTD	14 December 2012	367,140	20 December 2012	367,140	General guarantee	10 years
Zoomlion International Trading (H.K.) Co., Limited	29 March 2014	400,000	19 April 2013	30,595	General guarantee	2 years
Zoomlion International Trading (H.K.) Co., Limited	29 March 2014	400,000	23 July 2013	30,595	General guarantee	2 years
Zoomlion International Trading (H.K.) Co., Limited	29 March 2014	400,000	13 August 2013	61,190	General guarantee	2 years
Zoomlion International Trading (H.K.) Co., Limited	29 March 2014	400,000	26 February 2014	12,238	General guarantee	1 year
Zoomlion International Trading (H.K.) Co., Limited	29 March 2014	400,000	11 July 2014	39,161.6	General guarantee	1 year

II. Significant Connected Transactions of the Company during the Year

(I) The Company had no significant connected transactions according to the relevant domestic regulations.

(II) Under the Listing Rules of Hong Kong, the continuing connected transactions of the Company during 2014 were as follows:

Framework sales agreement with Dongfeng Motor Corporation

Dongfeng Motor Corporation holds 11.14% of the equity interest in Hunan Zoomlion Axle Co., Ltd., a subsidiary of the Company, and is therefore a substantial shareholder of Hunan Zoomlion Axle Co., Ltd. and a connected person of the Company. Dongfeng Motor Corporation was established in 1969 and is currently one of the top three automakers in China. Its main businesses include production and sale of passenger vehicles, commercial vehicles, engine, auto parts and components, and equipment in the PRC. To regulate the sales and purchase arrangement between the Company and Dongfeng Group after the Listing, the Company has entered into a framework sales agreement (the "Dongfeng Framework Sales Agreement") dated 6 December 2010 with Dongfeng Motor Corporation and such agreement was expired on 23 December 2013. The Company entered into the Dongfeng Sales Renewal Agreement dated 13 August 2013 to renew the terms and conditions set out in the Dongfeng Framework Sales Agreement. Such agreement has taken effect from 1 January 2013 and has a term of three years. Pursuant to the Dongfeng Framework Sales Agreement, Dongfeng Group will purchase axles and other auto components produced by the Company from time to time. In 2014, total sales of the Group to Dongfeng Group amounted to approximately RMB447 million (excluding value-added tax).

Dongfeng Purchase Renewal Agreement with Dongfeng Motor Corporation

The Company entered into a framework purchase agreement (the "Dongfeng Framework Purchase Agreement") dated 6 December 2010 with Dongfeng Motor and such agreement was expired on 23 December 2012. On 13 August 2013, the Company entered into the Dongfeng Purchase Renewal Agreement to renew the terms and conditions set out in the Dongfeng Framework Purchase Agreement. The Dongfeng Purchase Renewal Agreement has taken effect from 1 January 2013 and has a term of three years. Pursuant to the Dongfeng Purchase Renewal Agreement, the Company will purchase steel springs, chassis, engines and other auto components from the Dongfeng Group from time to time. In 2014, the total purchases from the Dongfeng Group amounted to approximately RMB1,264 million (excluding VAT).

The Independent Non-executive Directors of the Company unanimously confirmed that the continuing connected transactions of the Company for the year 2014 were:

(1) in the ordinary course of business of the Company;

(2) entered into on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties;

(3) conducted according to the terms of the relevant agreements governing the transactions, and the terms of the transactions were fair and reasonable and in the interests of the shareholders of the Company as a whole; and

Each of the annual value for the continuing connected transactions did not exceed the annual caps approved by the Board dated 13 August 2013.

In respect of the significant connected transactions disclosed above (the "Transactions"), KPMG has carried out procedures on the Transactions entered into by the Group for the year ended 31 December 2014 and issued a letter to the Board of the Company, stating that: (1) they were not aware that the Transactions have not been approved by the Board; (2) they were not aware of any matter which would make them believe that the Transactions were not in accordance with the pricing policies of the Group in any material aspect in connection with the Transactions involving the provision of goods or services by the Group; (3) they were not aware of any matter which would make them believe that the Transactions were not in accordance with the relevant agreements governing the Transactions in any material aspect; (4) they were not aware of any matter which would make them believe that the annual aggregate amount of each of the Transactions, would exceed the annual value disclosed in the previous announcement dated 13 August 2013 made by the Company in respect of each of the disclosed continuing connected transactions.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules of Hong Kong.

III. Other Significant Events

1. The Company proposed to participate in the bid for 1.8 billion shares in Chery Heavy Industry Co., Ltd. (renamed as Zoomlion Heavy Machinery Company Limited) , which accounted for 60% of the share capital of Zoomlion Heavy Machinery, at the listed price of RMB2,088,000,000 on 15 August 2014. On 30 December 2014, the Company proposed to acquire an additional 225,300,000 shares in Zoomlion Heavy Machinery, which accounted for 7.51% of its share capital, at the consideration of RMB261,348,000. The transaction in respect of the transfer of shares of Zoomlion Heavy Machinery was completed on 4 January 2015, pursuant to which the Company holds 2,025,300,000 shares in Zoomlion Heavy Machinery in aggregate, which represents 67.51% of its share capital.

2. Certain directors, supervisors, senior management and key management personnel of the Company proposed to jointly acquire 100% shares in Good Excel Group Limited, one of the Company's shareholders which hold 2.19% interests of the Company, at a consideration of RMB843,178,400 (equivalent to approximately US$136,068,940). A framework agreement has been entered between the parties on 19 December 2014 and the transfer has not been completed as of the date of this report.

Changes in Share Capital and Shareholders

I. Changes in Share Capital (As at 31 December 2014)

1. Changes in Share Capital

	Before this change		Increase (+)/Decrease (-) in this change					After this change	
	Number	Percentage (%)	New shares	Bonus issue	Bonus shares from capital reserve	Others	Sub-total	Number	Percentage (%)
I. Shares subject to sales restriction	14,436,046	0.19%	0	0	0	494,125	494,125	14,930,171	0.19%
1. State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by state-owned legal persons	0	0.00%	0	0	0	0	0	0	0.00%
3. Other domestic shares	14,436,046	0.19%	0	0	0	494,125	494,125	14,930,171	0.19%
Including: shares held by domestic legal persons	0	0.00%	0	0	0	0	0	0	0.00%
shares held by domestic natural persons	14,436,046	0.19%	0	0	0	494,125	494,125	14,930,171	0.19%
4. Foreign invested shares	0	0.00%	0	0	0	0	0	0	0.00%
Including: shares held by overseas legal persons	0	0.00%	0	0	0	0	0	0	0.00%
shares held by overseas natural persons	0	0.00%	0	0	0	0	0	0	0.00%
II. Shares not subject to sales restriction	7,691,518,004	99.81%	0	0	0	-494,125	-494,125	7,691,023,879	99.81%
1. Ordinary shares denominated in RMB	6,261,489,118	81.25%	0	0	0	-494,125	-494,125	6,260,994,993	81.25%
2. Domestically listed foreign invested shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Overseas listed foreign invested shares	1,430,028,886	18.56%	0	0	0	0	0	1,430,028,886	18.56%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total number of shares	7,705,954,050	100.00%	0	0	0	0	0	7,705,954,050	100.00%

Reasons for changes in share capital

There are changes in the lock-up shares of the senior management of the Company. Mr. He Wenjin, the former vice president of the Company, resigned on 31 October 2014. According to the requirement, the entire shares he holds in the Company shall be locked up for 6 months subsequent to his resignation, which contributes to 176,725 additional lock-up shares. The 75% of shares held by Ms Huang Qun, who was newly-appointed as vice president by the Company on 11 June 2014, in the Company shall be locked up in accordance with the requirement, which contributes to 317,400 additional lock-up shares. There are 494,125 additional lock-up shares in aggregate.

II. Shareholders

1. Number of shareholders of the Company and shareholdings

Total number of shareholders as at the end of the Reporting Period: 436,293

Unit: share(s)

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Total number of share held as at the end of the reporting period	Changes during the reporting period	Number of shares subject to sales restriction	Number of shares not subject to sales restriction
HKSCC NOMINEES LIMITED	Overseas legal person	18.53%	1,427,656,763	-129,560	0	1,427,656,763
State-owned Assets Supervision and Administration Commission of Hunan Province People's Government	State-owned legal person	16.26%	1,253,314,876	0	0	1,253,314,876
Changsha Hesheng Science and Technology Investment Co., Ltd.	Domestic non state-owned legal person	5.02%	386,517,443	0	0	386,517,443
GOOD EXCEL GROUP LIMITED	Overseas legal person	2.19%	168,635,680	-195,301,176	0	168,635,680
Real Smart International Limited	Overseas legal person	2.19%	168,635,602	0	0	168,635,602
Changsha Yifang Science and Technology Investment Co., Ltd.	Domestic non state-owned legal person	2.12%	163,364,942	0	0	163,364,942
Hony Capital Fund I (Tianjin), L.P.	Domestic non state-owned legal person	2.07%	159,428,548	0	0	159,428,548
Guangdong Hengjian Investment Holding Co. Ltd.	State-owned legal person	0.69%	51,955,855	0	0	51,955,855
Industrial and Commercial Bank of China — Rongtong Shenzhen Stock Exchange 100 Index Investment Fund (中國工商銀行 — 融通深證100指數證券投資基金)	Others	0.33%	25,119,826	-11,191,119	0	25,119,826
China Jianyin Investment Co., Ltd.	State-owned legal person	0.32%	24,340,809	-114,473,745	0	24,340,809

The Company has complied with the minimum public float requirement under Rule 8.08 of the Listing Rules of Hong Kong.

2. Substantial Shareholders' interests in the shares and underlying shares of the Company

As at 31 December 2014, the following persons (other than the directors and supervisors of the Company) had an interest or short position in the shares or underlying shares of the Company which is required to be disclosed to the Company pursuant to Section 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"), or required to be recorded in the register to be kept by the Company pursuant to Section 336 of SFO:

Name	Nature of interest	Class of shares	Number of shares	Percentage of class of shares issued (%)	Percentage of total shares issued (%)
State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government	Beneficial	A share	1,253,314,876	19.97	16.26
Rise Honour Investments Limited [2]	Interests of controlled corporation	A shares	337,271,282	5.37	4.38
Hony Capital II L.P. [2]	Interests of controlled corporation	A shares	337,271,282	5.37	4.38
Hony Capital II GP Ltd. [2]	Interests of controlled corporation	A shares	337,271,282	5.37	4.38
Right Lane Limited [2]	Interests of controlled corporation	A shares	337,271,282	5.37	4.38
Changsha Hesheng Science and Technology Investment Co., Ltd. [3]	Beneficial	A share	386,517,443	6.16	5.02
Legend Holdings Limited [2][4]	Interests of controlled corporation	A shares	496,699,830	7.91	6.45
Chinese Academy of Sciences Holdings Co, Ltd. [3][5]	Interests of controlled corporation	A shares	496,699,830	7.91	6.45
Chinese Academy of Sciences [3][5]	Interests of controlled corporation	A shares	496,699,830	7.91	6.45
Citigroup Inc. [1][6]	Interests of controlled corporation and custodian corporation/ approved lending agent	H share	104,430,718(L) 17,044,311(S) 85,002,252(P)	7.30 1.19 5.94	1.36 0.22 1.10
Unique Element Corp. [1][7]	Interests of controlled corporation	H share	100,809,800(L)	7.04	1.31

Notes: L refers to long position. S refers to short position. P refers to shares available for lending.

(1) The disclosure is based on the information available on the website of SEHK (www.hkexnews.com.hk).

(2) Good Excel Group Limited and Real Smart International Limited are beneficially interested in 168,635,680 and 168,635,602 A shares respectively. Good Excel Group Limited and Real Smart International Limited are interested in an aggregate of 337,271,282 A shares. Each of Good Excel Group Limited and Real Smart International Limited is a 100% and 67.71% owned subsidiary of Rise Honour Investments Limited, respectively. Rise Honour Investments Limited is controlled by Hony Capital II L.P., which is controlled by Hony Capital II GP Ltd..Hony Capital II GP Ltd. is wholly-owned by Right Lane Limited, which is a wholly-owned company of Legend Holdings Limited.

(3) Changsha Hesheng Science and Technology Investment Co., Ltd. is an investment entity controlled and owned by the management of the Group.

(4) Legend Holdings Limited is deemed to be interested in 159,428,548 A shares held by Hony Capital Fund I (Tianjin), L.P. Legend Holdings Limited is deemed to be interested in 496,699,830 A shares.

(5) Chinese Academy of Sciences Holdings Co., Ltd. holds 36% interests of Legend Holdings Limited, while Chinese Academy of Sciences Holdings Co., Ltd. is a wholly stated-owned limited liability company incorporated in accordance with the PRC law.

(6) As stated in the form of disclosure of shareholder's interests submitted by Citigroup Inc. on 29 December 2014 (the date of the relevant event set out in the form was 23 December 2014), these shares were held via Citigroup Inc. and its affiliates.

(7) As stated in the form of disclosure of shareholder's interests submitted by Unique Element Corp. on 23 December 2014 (the date of the relevant event set out in the form was 22 December 2014), these shares were held via Unique Element Corp. and its affiliates.

III. Purchase, sale or redemption of shares by the Company and its subsidiaries

For the year ended 31 December 2014, there was no purchase, sale or redemption of any securities of the Company by the Company or any of its subsidiaries under the Listing Rules of Hong Kong.

I. Changes in Shareholdings of Directors, Supervisors and Senior Management

Name	Position	Employment Status	Gender	Age	Date of term of office commenced	Date of term of office ended	Number of Shares held at the beginning of the Reporting Period (share)	Number of Shares increased during the Reporting Period (share)	Number of Shares decreased during the Reporting Period (share)	Number of Shares held at the end of the Reporting Period (share)
Zhan Chunxin	Chairman and Chief Executive Officer	Incumbent	male	59	22 July 2010		5,152,036	0	0	5,152,036
Liu Quan	Executive Director	Incumbent	male	51	22 July 2010		1,068,052	0	0	1,068,052
Qiu Zhongwei	Non-executive Director	Incumbent	male	46	22 July 2010		0	0	0	0
Liu Changkun	Independent Director	Resigned	male	71	22 July 2010	4 July 2014	0	0	0	0
Qian Shizheng	Independent Director	Incumbent	male	62	22 July 2010		0	0	0	0
Wang Zhile	Independent Director	Incumbent	male	66	22 July 2010		0	0	0	0
Lian Weizeng	Independent Director	Resigned	male	68	22 July 2010	4 July 2014	0	0	0	0
Cao Yongang	Chairman of Supervisory Board	Incumbent	male	42	22 July 2010		0	0	0	0
Liu Chi	Supervisor	Incumbent	male	57	22 July 2010		379,211	0	0	379,211
Luo Anping	Employee Supervisor	Incumbent	male	53	22 July 2010		450,055	0	0	450,055
Zhang Jianguo	Senior President	Incumbent	male	55	22 July 2010		1,203,943	0	0	1,203,943
Yin Zhengfu	Senior President	Incumbent	male	58	22 July 2010		842,750	0	0	842,750
He Jianming	Senior President	Incumbent	male	51	22 July 2010		123,338	0	-30,835	92,503
Du Youqi	Senior President	Incumbent	female	56	22 July 2010		576,511	0	0	576,511
Fang Minghua	Senior President	Incumbent	male	57	22 July 2010		670,776	0	0	670,776
Wang Chunyang	Senior President	Incumbent	male	59	22 July 2010		610,814	0	0	610,814
Xu Wuquan	Senior President	Incumbent	male	57	22 July 2010		790,426	0	0	790,426
Xiong Yanming	Vice President	Incumbent	male	50	22 July 2010		896,525	0	-224,132	672,393
Su Yongzhuan	Vice President	Incumbent	male	42	22 July 2010		778,900	0	0	778,900
Guo Xuehong	Vice President	Incumbent	male	52	22 July 2010		737,650	0	0	737,650
Sun Changjun	Vice President	Incumbent	male	52	22 July 2010		754,076	0	0	754,076
Li Jiangtao	Vice President	Incumbent	male	51	22 July 2010		761,710	0	0	761,710
Hong Xiaoming	Vice President and the person in charge of financial affairs	Incumbent	female	51	22 July 2010		495,300	0	0	495,300
He Wenjin	Vice President	Resigned	male	44	22 July 2010	31 October 2014	706,900	0	0	706,900
Chen Xiaofei	Vice President	Incumbent	male	51	22 July 2010		594,400	0	0	594,400
Chen Peiliang	Vice President	Incumbent	male	42	22 July 2010		495,200	0	0	495,200
Huang Qun	Vice President	Incumbent	female	48	11 June 2014		423,200	0	0	423,200
Wang Yukun	Chief Information Officer	Incumbent	male	48	22 July 2010		709,500	0	0	709,500
Shen Ke	Secretary to the Board of Directors	Incumbent	male	43	22 July 2010		450,000	0	0	450,000
Total	–	–	–	–	–	–	19,671,273		-254,967	19,416,306

II. Biography of directors, supervisors and senior management

1. Directors

Dr. Zhan Chunxin (詹純新), male, born in 1955, is the Chairman and Chief Executive Officer of our Company. Dr. Zhan has been appointed as a director of our Company since the establishment of our Company in 1999, and as the Chairman since 2001. Currently, Dr. Zhan also serves as the chairman of various subsidiaries of our Company, including Zoomlion Powermole Limited and Hunan Teli Hydraulic Co., Ltd. and as the director of various subsidiaries of our Company, including Zoomlion H.K. Holding Co., Ltd., Zoomlion International Trading (H.K.) Co., Limited, and Zoomlion Capital (H.K.) Co., Limited. Dr. Zhan became an expert entitled to special government subsidy granted by the State Council since January 1994, a senior engineer as recognised by the Ministry of Construction in 1995 and a researcher-level senior engineer specialised in management and engineering as recognised by the Ministry of Construction in September 1997. Dr. Zhan has previously served various senior positions in Construction Machinery Research Institute of Changsha, the Ministry of Construction ("Research Institute"), including the deputy head of Research Institute from February 1992 to July 1996 and head of Research Institute from July 1996 to December 2008. Dr. Zhan has been serving various public functions. He was appointed as a representative at the 16th National Congress of the Communist Party of China in 2002, the 10th National People's Congress in 2003, the 17th National Congress of the Communist Party of China in 2007 and the 10th National Congress of the Communist Party of China in Hunan Province in 2011, a member of the 10th session of CPC Hunan Provincial Committee in 2011 and a representative at the 12th National People's Congress in 2013. Dr. Zhan has also served as the deputy chairman of China Entrepreneurs Association and China Enterprise Confederation since September 2008. Dr. Zhan has received various titles and awards, including the Yuan Baohua Enterprises Management Gold Award awarded in May 2010 which is the most distinguished award for corporate executives in China, the 2010 Leonardo Award in Italy awarded in January 2011, the 2011 CCTV Chinese Economic Annual Figure awarded in December 2011 and the Most Outstanding Person Award awarded in January 2013. Dr. Zhan graduated from Northwestern Polytechnical University in 1978 and obtained a master's degree in aeronautical engineering from Northwestern Polytechnical University in 2000 and a doctorate degree in system engineering from Northwestern Polytechnical University in December 2005.

Mr. Qiu Zhongwei (邱中偉), male, born in 1968, is a non-executive director of our Company. Mr. Qiu has been appointed as a non-executive director of our Company since July 2006. Mr. Qiu is currently the managing director of Hony Investment. Mr. Qiu was the section chief of China Huaneng Group, a diversified energy conglomerate listed on the New York Stock Exchange, from 1990 to 2000 and vice president of Goldpark China Limited (stock code: GKC.H), a subsidiary of China Huaneng Group and listed on the Toronto Stock Exchange, from 1999 to 2000. Mr. Qiu was the vice president of China Yintai Holdings from 2000 to 2004, chairman of the board of directors and CEO of Metro Land Corporation Ltd. (stock code: 600683), a company listed on the Shanghai Stock Exchange, from 2003 to 2004. Mr. Qiu was also a non-executive director of Digital China Holdings Ltd. (stock code: 861), a company listed on the SEHK, from February 2009 to September 2010. Mr. Qiu received a bachelor's degree in technology economics from Xi'an Jiaotong University in 1990 and a master's degree in business administration jointly awarded by the Kellogg School of Management at Northwestern University and the Hong Kong University of Science and Technology in April 2003.

Mr. Liu Quan (劉權), male, born in 1963, is an executive director of our Company. Mr. Liu has been appointed as a director of our Company since August 1999. Currently, Mr. Liu is deputy general manager of the heavy-truck business division of the Company, a director of Zoomlion Financing and Leasing (Beijing) Co., Ltd., a director of Changde Zoomlion Hydraulic Co., Ltd. and a supervisor of Hunan Zoomlion Crawling Crane Ltd.. Mr. Liu has become an expert entitled to special government subsidy granted by the State Council since April 1999. Mr. Liu has previously served various senior positions in Research Institute and our Group, including the head of the concrete machinery research institute of Research Institute from 1993 to 1995, deputy general manager of the concrete machinery branch of our Company from 1999 to 2001, and chief engineer and chief researcher of our Company from 2002 to 2005. Mr. Liu has received various titles and awards, including the Science and Technology Advancement Award of Hunan Province Grade I awarded in October 1997 and Grade III awarded in December 2001, the National Science and Technology Advancement Award (Grade III) awarded in December 1998, the National Labor Day Medallion awarded in April 2003, the 2005 Huaxia Construction, Science and Technology Award (Grade II) awarded in January 2006, and the Outstanding Leader in National Quality Management Group Activities awarded in September 2006. Mr. Liu received his bachelor's degree in construction machinery from Harbin University of Civil Engineering and Architecture in 1984 and attended the EMBA program of Business School of Hunan University from 2005 to 2008.

Dr. Qian Shizheng (錢世政), male, born in 1952, is an independent non-executive director of our Company and received a doctorate degree in management science and engineering from Fudan University. He is currently a professor at the School of Management of Fudan University and an independent non-executive director of Lonking Holdings Limited (Stock code: 3339), a company listed on SEHK. Dr. Qian joined Shanghai Industrial Investment (Holdings) Co., Ltd. in January 1998 and served as the vice president of that Group from 2002 to 2012.

Mr. Wang Zhile (王志樂), male, born in 1948, is an independent non-executive director of our Company. Mr. Wang has been appointed as an independent non-executive director of our Company since May 2009. Mr. Wang has become an expert entitled to special government subsidy granted by the State Council since October 1995. Mr. Wang was the lecturer and associate professor of the history department of Renmin University of China from 1982 to 1995, researcher and head of Research Centre on Transnational Corporations of Chinese Academy of International Trade and Economic Cooperation from 1992 to March 2008. Mr. Wang is currently the head of Beijing New-century Academy on Transnational Corporations. He had previously served senior management positions in various listed companies, including a supervisor of China Oilfield Services Limited (stock code: 2883; 601808), a company listed on SEHK and the Shanghai Stock Exchange, since June 2009, an independent director of SGSB Group Co., Ltd. (stock code: 600843), a company listed on the Shanghai Stock Exchange, from November 2004 to November 2010 and an independent director of Gemdale Corporation (stock code: 600383), a company listed on the Shanghai Stock Exchange, since May 2009. Mr. Wang received the Scientific Research Achievement Award from the Ministry of Commerce in 2000. Mr. Wang received his master's degree in history from Liaoning University in 1982.

Mr. Lian Weizeng (連維增), male, born in 1946, is an independent non-executive director of our Company. Mr. Lian has been appointed as an independent non-executive director of our Company since May 2009. Mr. Lian has become an economist as recognised by the Personnel Bureau of the State Economic Commission since 1988. Mr. Lian was the vice-director and director of the coordination office of the Personnel Bureau of the State Economic Commission from December 1982 to May 1988, director of office of cadres directly subordinated to the Personnel Bureau of the State Planning Commission from May 1988 to May 1991, deputy head of Personnel Bureau of the State Planning Commission from May 1991 to March 1994, deputy head and head of Personnel Bureau of the State Economic and Trade Commission from March 1994 to March 2003, and head of Personnel Bureau of SASAC from May 2003 to January 2007. Mr. Lian acted as an external director of China Railway Engineering Group Co., Ltd. from January 2007 to February 2008. Mr. Lian received a diploma in economics and management from Beijing Committee Party School in January 1988 and received a bachelor's degree in economics and management from Party School of the Central Committee of CPC in 1997.

2. Supervisors

Mr. Cao Yonggang (曹永剛), male, born in 1972, is the Chairman of the Supervisory Board of our Company. Mr. Cao is currently the managing director and general manager of risk management department of Hony Investment. Mr. Cao has been qualified as a lawyer in the PRC since 1996. Prior to joining Beijing Hony Future Investment Advisor Ltd. in September 2004, Mr. Cao acted as a corporate legal counsel of Sinochem Tianjin Corporation from 1995 to 1997 and a project lawyer of Beijing Jingtian & Gongcheng Attorneys at Law from March 2002 to September 2004. Mr. Cao graduated from Nankai University with a bachelor's degree in law in 1995 and a master's degree in international law from Peking University and Erasmus University, Rotterdam in September 2001 and February 2002 respectively, and a master's degree in Executive MBA from China Europe International Business School in September 2010.

Mr. Liu Chi (劉馳), male, born in 1957, is a supervisor of our Company. Mr. Liu also is the deputy Party secretary, the secretary of the disciplinary committee and the officer of the Party Community Working Division of the Company. Mr. Liu has become a senior engineer as recognised by the Ministry of Construction in December 1992. Mr. Liu was the head of science research management division of the Science and Technology Department of the Ministry of Construction from 1992 to 2002. Mr. Liu was a member of the 2nd session of the Board of Directors and head of executive office of our Company from October 2002 to September 2004. Mr. Liu was the executive deputy general manager of environmental and sanitation machinery branch of our Company from 2004 to 2008. Mr. Liu was our employee supervisor from July 2006 to July 2010. Mr. Liu was previously a senior visiting scholar at the University of Queensland, Australia from 1989 to 1992. Mr. Liu received the National Science and Technology Advancement (Grade III) Award in November 1992, and was awarded as the National Advanced Management Officer of Technology Innovation under the National 8th Five-year Plan in March 1997. Mr. Liu graduated from Hunan Agricultural College (currently known as Hunan Agricultural University) with a bachelor's degree in agricultural machinery in July 1982, and received his master's degree in architectural and civil engineering from Chongqing Architecture University (currently known as Chongqing University) in January 2000.

Mr. Luo Anpin (羅安平), male, born in 1961, is an employee supervisor of our Company. Mr. Luo was the deputy chief of the administrative security department of Research Institute, head of the administration department of Research Institute and the deputy head of Research Institute successively from January 1996 to December 2008. Mr. Luo was also the general manager of Zhongwang Industrial Co., Ltd. in Changsha High-tech Development Area from May 2000 to January 2003. Mr. Luo has been the supervisor of our Company since July 2006. Mr. Luo graduated from Central South University with a diploma in administrative management in 1989 and received a bachelor's degree in economics from Party School of the Central Committee of CPC through the correspondence course in 1994.

3. Senior Management

Dr. Zhang Jianguo (張建國), male, born in 1959, is a senior president of our Company. He is also the general manager of the overseas branch of the Company, the general manager of the head office of marketing and the head of the supervisory board of Hunan Teli Hydraulic Co., Ltd.. He became a senior engineer as recognised by Research Institute in December 1997, and has been an expert entitled to government special subsidy granted by the State Council since July 2001. Dr. Zhang was the deputy head of Research Institute from November 1998 to December 2008. Dr. Zhang was the deputy general manager of our Company from August 1999 to July 2000, secretary to the Board of Directors of our Company from August 1999 to March 2001 and a member of the 1st and 2nd sessions of the board of directors of our Company from August 1999 to July 2006. He was appointed as an executive president of our Company in August 2006, and has become a senior president of our Company since August 2007. Dr. Zhang was also a director of Zoomlion Fire Control Machinery Co., Ltd. from April 2004 to December 2007. Dr. Zhang has received various titles and awards, including the Science and Technology Advancement (Grade I) Award of Hunan Province in October 1997, the National Science and Technology Advancement (Grade III) Award in December 1998, and the Young and Middle-Aged Experts in Science, Technology and Management with Outstanding Contribution awarded by the Ministry of Construction in December 1999. Dr. Zhang obtained a master's degree in engineering from Shanghai University of Technology in Shanghai, the PRC in 1991, and a doctorate degree in systems engineering from Northwestern Polytechnical University in Xi'an City, the PRC in 2005.

Mr. Yin Zhengfu (殷正富), male, born in 1956, is a senior president of our Company. Currently, Mr. Yin is also a chairman of the technical reform committee, a chairman of the operation management committee, the head of the human resources departments, and a director of Hunan Teli Hydraulic Co., Ltd. and the chairman of the board of directors of Hunan Zoomlion Axle Co., Ltd. Mr. Yin obtained the qualification certificate of senior professional manager of machinery enterprises issued by CMEMA in May 2006. Mr. Yin was previously the head of factory office and deputy factory manager of Hunan Puyuan Machinery Factory from April 1988 to May 1995, factory manager of Changsha Heavy Equipment Factory from June 1995 to August 2001, vice chairman of the board of directors and general manager of Puyuan Group from September 2001 to September 2003, and general manager of Hunan Puyuan Construction Machinery Co., Ltd. from September 2003 to September 2004. Mr. Yin was the general manager of our Company and a member of the 2nd session of Board of Directors from September 2004 to July 2006. He was appointed as an executive president of our Company in August 2006, and has become a senior president of our Company since August 2007. Currently, Mr. Yin is a senior chairman of Changsha Entrepreneurs Association and vice chairman of Hunan Association of Machinery Industry. Mr. Yin has received various titles and awards, including the Outstanding Entrepreneur of Hunan Province awarded in 2003, the National Outstanding Entrepreneur in Machinery Systems awarded in 2005, the Star Entrepreneur of the China Machinery Industry awarded in 2007 and the National Machinery Industry Model Worker awarded in 2014. Mr. Yin obtained a bachelor's degree in business administration from the College of Management (secondary bachelor's degree class) of China University of Geosciences in Wuhan City, the PRC in 2004.

Mr. Fang Minghua (方明華), male, born in 1957, is a senior president of our Company. Mr. Fang is also the general manager of concrete machinery branch of our Company, a director of Hunan Teli Hydraulic Co., Ltd. and the chairman of the board of directors of Zoomlion Financing and Leasing (Beijing) Co., Ltd. Mr. Fang was a member of the 1st and 2nd sessions of the Board of Directors of our Company from July 2000 to April 2001 and October 2002 to June 2006 respectively. Mr. Fang was a deputy general manager of our Company from February 2000 to April 2001, the general manager of our Company from April 2001 to September 2004. Mr. Fang was appointed as a vice president of our Company in August 2006 and has become a senior president of our Company since September 2008. Mr. Fang has received various titles and awards, including the Ministry of Science and Technology Outstanding Torch Projects (Grade II) awarded in 1998, the 3rd Grand Prize of the Hunan Young Entrepreneur (Kunpeng Award) awarded in October 2006 and the Advanced Worker for the Top Ten Landmark Project Construction in Hunan Province in 2007. Mr. Fang completed a bachelor's program in business administration from Jiangnan University in Wuxi City, the PRC through internet education in 2004.

Mr. He Jianming (何建明), male, born in 1963, is a senior president of our Company. He is the chairman of the board of directors of Zoomlion Material Handling Equipment Co., Ltd. Mr. He has become a senior accountant as recognised by the Department of Personnel of Hunan Province since August 2001. He was previously the deputy chief of the business section I and chief of the general administration office of finance inspectors of the Ministry of Finance in Hunan Province from November 1995 to April 2001. Since Mr. He joined our Group in April 2001, he was the chief financial officer of our Company from April 2001 to August 2004 and from August 2006 to July 2007 respectively. He was also a member of the 2nd session of the Supervisory Board of our Company from September 2004 to July 2006. Mr. He has been serving various other positions. Mr. He was a tutor for master's degree graduate students of the School of Accounting, Hunan University from December 2003 to December 2006. Mr. He has been a member of senior accountant appraisal committee of Hunan Province since August 2003, a member of the executive council of the 3rd session management committee of Hunan Association of Chief Accountants since March 2004 and vice chairman of Listed Company Division of Hunan Association of Chief Accountants since September 2009. Mr. He has been a member of the executive council of Hunan Association of Chief Accountants since April 2012 and a member of the executive council of Hunan Association of Taxation since March 2013. Mr. He obtained a master's degree in business administration for senior management staff from Wuhan University in Wuhan City, the PRC in 2007.

Ms. Du Youqi (杜幼琪), female, born in 1958, is a senior president of our Company. She has become a senior engineer as recognised by the Ministry of Construction since 1996. She was previously a lecturer of the Hunan Institute of Electric Power (湖南電力學院) from February 1982 to November 1984, an engineer and a senior engineer of Changsha Construction Machinery Research Institute under the Ministry of Construction from December 1984 to February 1998, manager of production planning department of Zoomlion Construction Machinery Industry Company from March 1998 to December 1998, assistant to the general manager and manager of integrated planning department of the crane machinery branch of Zoomlion Construction Machinery Industry Company from January 1999 to July 1999. Ms. Du was the deputy general manager of the crane machinery branch of Zoomlion from August 1999 to January 2000, head of the human resources department of Zoomlion from February 2000 to November 2003, deputy general manager of the No. 2 manufacturing factory of Zoomlion from November 2003 to May 2004, head of price center of Zoomlion from June 2004 to December 2004, head of the corporate operation department of Zoomlion from January 2005 to February 2006, head of the department for on-going improvement of Zoomlion from March 2006 to October 2007. Ms. Du was appointed as the assistant to the Chairman of Zoomlion in September 2006 and has become a senior president of our Company since November 2007. Ms. Du obtained a bachelor's degree in hydraulic machinery from Huazhong Institute of Technology (currently known as Huazhong University of Science and Technology) in the PRC in 1982.

Mr. Wang Chunyang (王春陽), male, born in 1955, is a senior president of our Company. Mr. Wang is a director of Hunan Teli Hydraulic Co., Ltd. and the chairman of the supervisory board of Hunan Zoomlion Axle Co., Ltd. He has become a senior engineer as recognised by the Department of Personnel of Hunan Province since September 1993, and an expert specialised in engineering technology and entitled to government special subsidy granted by the State Council since 1998. Mr. Wang was the deputy factory manager of Hunan Puyuan Construction Machinery Factory from June 1995 to January 1996, executive deputy general manager, deputy general manager, director and general manager of Puyuan Group from January 1996 to July 2006. Mr. Wang was a member of the 2nd session of the Board of Directors of our Company from September 2004 to July 2006 and the chief engineer of our Company from August 2006 to August 2008. Mr. Wang was also a director of Zoomlion Fire Control Machinery Co., Ltd. from April 2004 to December 2007 and general manager of Zoomlion Special Vehicle from December 2008 to July 2010. Mr. Wang has received various titles and awards, including the Science and Technology Advancement (Grade I) Award of Hunan Province in 1994 and the Award of National Outstanding Worker in the Use and Industrialisation of Patents in 2007. Mr. Wang obtained a bachelor's degree in mechanical engineering from Hunan University in Changsha City, the PRC in 1981.

Mr. Xu Wuquan (許武全), male, born in 1957, is a senior president of our Company. Mr. Xu has become an expert entitled to government special subsidy granted by the State Council since 1994 and a researcher specialised in construction machinery as recognised by the Ministry of Construction since 1996. He was previously the head of construction crane research station of Research Institute from October 1996 to December 1998, deputy general manager and general manager of the crane machinery manufacturing branch of our Company from January 1999 to March 2002, a member of the 1st and 2nd sessions of the Board of Directors of our Company from August 1999 to August 2004, deputy general manager of our Company from December 2004 to July 2006, assistant to the president of our Company from August 2006 to August 2008 and the chief engineer and chief of research institute of our Company from September 2008 to July 2010. Mr. Xu was also the chairman of labor union of our Company from April 2002 to December 2008. Currently, Mr. Xu is the head of the Crane Machinery Division of China Construction Machinery Association. Mr. Xu has received various titles and awards, including the Science and Technology Advancement Award in Grades I, II, III and IV, at city, provincial and government departmental levels in 1989, 1990, 1993, 1994, 1996, 2002, 2003 and 2011 respectively, the Award of Outstanding Technological Development Personnel (Jinniu Award) of Jiangsu Province in 1993 and the Technological Development Advanced Personnel of Hunan Province in 1997. Mr. Xu has obtained a bachelor's degree in construction machinery from Chongqing Architecture Engineering College (currently known as Chongqing University) in Chongqing, the PRC in 1982, and a master's degree in executive business administration from Wuhan University in Wuhan City, the PRC in June 2007.

Mr. Xiong Yanming (熊焰明), male, born in 1964, is a vice president of our Company. Currently, Mr. Xiong is a director of Hunan Zoomlion Axle Co., Ltd. and Hunan Teli Hydraulic Co., Ltd. Mr. Xiong has become a senior engineer specialised in construction machinery as recognised by the Ministry of Construction since December 1999 and obtained the qualification certificate of senior professional manager of machinery enterprises as conferred by China Machinery Enterprise Management Association in December 2004. He was previously an assistant engineer and an engineer of Research Institute from 1985 to 1998. Mr. Xiong was a member of the 1st session of the Supervisory Board of our Company from August 1999 to March 2001, deputy general manager of our Company from April 2001 to July 2002, executive vice president of our Company from August 2002 to July 2006, member of the 2nd session of the Board of Directors of our Company from September 2004 to July 2006. He has become a vice president of our Company since August 2006, and concurrently served as a general manager of the mobile crane branch of our Company from August 2006 to June 2014. Mr. Xiong has received various awards, including Hunan Province Technology Innovation Advanced Individuals Award in 1999, Changsha City Advancement Award in Technological Development (Grade II) in 1999, the Award of Succeeding Leader for Academics and Technology of Changsha City in 2007 and the Outstanding Leaders' Award in the Hunan Province Quality Group Activity in 2009. He has also received the Outstanding Personage Award by the Dealers Committee of China Construction Machinery — DCCCM 10th Anniversary (Facilitating Advancement of the Dealers System) in 2013. Mr. Xiong obtained a bachelor's degree in port machinery design and manufacturing from Wuhan Marine Engineering College (currently known as Wuhan University of Technology) in Wuhan City, the PRC in 1985 and a master's degree in executive business administration under the BiMBA project from Peking University in Beijing, the PRC in June 2007.

Dr. Su Yongzhuan (蘇用專), male, born in 1972, is a vice president of our Company. Dr. Su is currently the general manager of the financial services branch of the Company. Dr. Su was the head of supplies office, deputy manager of the sales division, executive deputy manager, the person in charge of financial affairs and deputy general manager of Hunan Province Puyuan Group Co., Ltd. from September 1998 to August 2004, the chief financial officer of our Company from September 2004 to July 2006, and the general manager of the concrete machinery branch of our Company from March 2006 to December 2008. Dr. Su was awarded the Top Ten Outstanding Young Persons of Changsha in December 2005 and the Outstanding Enterprise Management Personnel in Machinery Industry issued by China Machinery Enterprise Management Association in June 2007. Dr. Su is also a vice chairman of Hunan Youth Federation and Hunan Young Entrepreneurs Association. Dr. Su obtained a master's degree in machinery engineering from Wuhan University in Wuhan City, the PRC in June 2004 and a doctorate degree in management science and engineering from Wuhan University of Technology in December 2008.

Mr. Guo Xuehong (郭學紅), male, born in 1962, is a vice president of our Company. Currently, Mr. Guo is an executive deputy general manager of the concrete machinery branch of our Company, an executive director of Guangdong Zoomlion South Construction Machinery Co., Ltd. and a director of Zoomlion Finance and Leasing (China) Co., Ltd.. Mr. Guo was the head of the technological structure section of technology department of Hunan Puyuan Construction Machinery Factory from June 1992 to February 1995, deputy head of technology department of Hunan Puyuan Construction Machinery Factory from February 1995 to January 1996, head of technology research centre of Puyuan Group and deputy manager of crane company of Puyuan Group from January 1996 to July 2000, the executive deputy general manager of Puyuan Holding Company from August 2000 to January 2002, the assistant to general manager and deputy general manager of Puyuan Group from January 2002 to August 2004. Mr. Guo was the general manager of the Puyuan branch of our Company from September 2004 to February 2006. Mr. Guo received a diploma in technology and equipment of machinery manufacturing from Hunan Radio and TV University in Changsha City, the PRC in 1985, and completed a postgraduate program in machinery engineering and management science and engineering at Hunan University in Changsha City, the PRC in March 2004. Mr. Guo obtained a master's degree in executive business administration at Wuhan University in Wuhan City, the PRC in June 2007.

Dr. Sun Changjun (孫昌軍), male, born in 1962, is a vice president of our Company. Dr. Sun is currently the head of risk management department of the Company. Dr. Sun has become a professor as recognised by the Leaders Team of the Working Group on the Titles Reform of Hunan Province since September 2005. Prior to joining us, he had assumed various positions, including the deputy secretary of the youth league committee, deputy director of the teaching and research section and deputy head of the cadre training section of Hunan Province People's Police College (currently known as "Hunan Police College") respectively from November 1985 to July 1990, the officer of the legal and labor affairs committee of Hunan People's Congress from July 1990 to July 1995, director of criminal law research office of Hunan University of Finance and Economics from July 1998 to May 2000, vice-director of the industrial economics office of Hunan University from June 2000 to September 2001, deputy head of the law faculty of Hunan University from October 2001 to December 2004, and general legal counsel of Research Institute from January 2005 to July 2006. Dr. Sun serves various other positions, including the chairman of the Criminal Law Research Association of Hunan Province, chairman of the Risk Management Research Association of Hunan Province, deputy chairman of the Legislative Research Association of Hunan Province, deputy chairman of State-owned Assets Supervision and Management Research Association of Hunan Province, deputy chairman of the Research Association for Current Situation of Hunan Province and Countermeasures a member of the expert advisory panel of the People's Procuratorate of Hunan Province and a representative at the 4th People's Congress of Yuelu District, Changsha. Dr. Sun has won various titles and awards, including the Research Results (Grade I) Prize of Organisation Division of Central Government in October 2001, the 5-Best Project Prize of Hunan Province in October 2001, Social Science Results (Grade I) of Hunan Province in June 2002, Outstanding Achievements (Grade II) of Philosophy and Social Sciences of Hunan Provinces in 2004, the Outstanding Legal Counsel of the Provincial Supervisory Corporations in 2008, Innovative Results (Grade I) Prize in Modern Enterprise Management of Hunan Province (湖南省企業管理現代化創新成果一等獎) in 2009 and the Annual Outstanding Corporate Counsel in China for 2011 (2011中國律政年度精英公司律師) in December 2011. Dr. Sun graduated from Southwest College of Political Science and Law (currently known as Southwest University of Political Science and Law) in Chongqing, the PRC with a bachelor's degree in law in 1983, and obtained a doctorate degree in law from Wuhan University in Wuhan City, the PRC in 1998.

Mr. Li Jiangtao (李江濤), male, born in 1963, is a vice president of our Company. Mr. Li is concurrently the executive deputy manager of Zoomlion Heavy Machinery Co, Ltd. He has become a senior engineer as recognised by the Ministry of Construction since November 2000. Mr. Li was the vice mayor (in charge of science and technology) of Lengshuitan City, Hunan Province from April 1989 to June 1992, deputy general manager and office head of Zoomlion Construction Machinery Industry Company from September 1992 to January 1995, deputy general manager of the production company and general manager of the material supply department of Zoomlion Construction Machinery Industry Company from January 1995 to May 1998, deputy general manager of the environmental and sanitation machinery industry branch of Zoomlion Construction Machinery Industry Company from June 1998 to February 1999, and general manager of Zhongbiao Industrial Co., Ltd. from March 1999 to October 2003. Mr. Li was a member of the 1st and 2nd sessions of the Supervisory Board of our Company from August 1999 to August 2004, general manager of Zhongbiao business department of our Company from November 2003 to February 2006, deputy general manager of our Company from December 2004 to July 2006, chief human resources officer of our Company from August 2006 to August 2008. He has been the vice president of our Company since September 2008. He was also a representative of the 10th and 11th People's Congress of Changsha City from January 1993 to January 2003. Mr. Li was appointed as the deputy chairman of China Association of Urban Environmental and Sanitation from September 2004 to December 2008. Mr. Li has received various titles and awards, including the Outstanding Entrepreneur Award granted by the Changsha New & Hi-Tech Industrial Development Zone in February 2000, and the Model Worker of Changsha City in April 2004. Mr. Li graduated from Chongqing Construction Engineering College (currently known as Chongqing University) in Chongqing City, the PRC with a bachelor's degree in construction machinery in 1986, and China Europe International Business School with a master's degree in executive business administration in Shanghai, the PRC in September 2009.

Ms. Hong Xiaoming (洪曉明), female, born in 1963, is a vice president and the person in charge of financial affairs of our Company. Ms. Hong has become a non-practicing chartered accountant as qualified by Institute of Certified Public Accountant of Shandong Province since 1999. Prior to joining us, Ms. Hong had obtained substantial work experience in accounting. Ms. Hong was the managing accountant of Qingdao Xinhua Printing Factory from 1992 to 1994. She was the assistant to head, deputy head and head of finance department of the Haier Group Technology and Equipment Head Office and chief accountant of Qingdao Household Appliance Technology and Equipment Research Institute from September 1994 to September 2003, and chief accountant, financial controller and chief financial officer of Qingdao Haier Co., Ltd (stock code: 600690), a company listed on the Shanghai Stock Exchange, from October 2003 to January 2010. Ms. Hong has various managerial experiences, including the directors of Qingdao East Asia Packaging Co., Ltd. from July 2000 to June 2004, Qingdao Overseas Chinese Industrial Joint Stock Co., Ltd. from May 2000 to May 2007 and Haier Italy Factory from May 2007 to October 2009. From November 2009 to November 2012, she was an independent director of Qingdao Soda Ash Industrial Company Ltd. (stock code: 600229), a company listed on the Shanghai Stock Exchange. Ms. Hong completed her postgraduate program in politics and economics at Shandong University in Jinan City, the PRC in May 2001, and obtained a master's degree in executive business administration from Business School of University of International Business and Economics in Beijing, the PRC in June 2010.

Mr. Chen Xiaofei (陳曉非), male, born in 1963, is a vice president of our Company. Mr. Chen has become a senior engineer as recognised by the Ministry of Construction since 1996. Mr. Chen was previously the deputy general manager of our Company from 2000 to 2006, executive deputy general manager and vice general manager of concrete machinery branch of our Company from 2006 to December 2008, head of the marketing department of our Company from January 2010 to May 2010. He has been the vice president of the Company since July 2010. Mr. Chen was awarded the National Science and Technology Advancement Award (Grade II) in 1989, 1996 and 1999 respectively, the Individual's Award in Advanced Development in Technology in Hunan Province in 1997 and winner of the 4th Hunan Province Young Scientists Award in 2003. Mr. Chen graduated from Chongqing Construction Engineering College (subsequently known as Chongqing Construction University and currently merged with Chongqing University) in Chongqing, the PRC with a bachelor's degree in construction machinery in 1984.

Mr. Chen Peiliang (陳培亮), male, born in 1972, is a vice president of our Company. Currently, Mr. Chen is the general manager of environmental industry branch of the Company and director of Hunan Zoomlion International Trade Co., Ltd. Prior to joining us, Mr. Chen was a manager, deputy general manager and general manager of the import and export department of Hunan Xinhualian International Trade Co., Ltd. from May 1996 to July 2002. Mr. Chen was the general manager of Zoomlion International Trade Co., Ltd. from September 2002 to May 2010. Mr. Chen was also appointed as the assistant to president of the Company in November 2007, and became the vice president of our Company in July 2010. Mr. Chen graduated from Hunan University of Finance and Economics (currently merged with Hunan University) in Changsha City, the PRC with a bachelor's degree in international trade in June 1994.

Ms. Huang Qun (黃群), female, born in 1966, is a vice president of our Company and currently the general manager of the crane machinery company of the Company as well as the chairman of Zoomlion ElectroMech India Private Limited. Ms. Huang has become a senior engineer as recognised by the Ministry of Construction since October 2000. Ms. Huang was the deputy factory manager of the machinery factory of electrical and mechanical engineering department of Zoomlion (中聯重科機電工程部機構廠) from August 1999 to December 2001 and served as the workshop director, the manager of procurement department and the manager of Zoomlion Manufacturing Company (中聯重科製造公司) from January 2002 to January 2006. Ms. Huang was the general manager of the construction crane machinery branch of Zoomlion from January 2006 to July 2014. She has been the general manager of the crane machinery company of the Company, and concurrently the general manager of construction crane machinery branch of the Company and the general manager of engineering crane machinery branch since July 2014. Ms. Huang was awarded the Outstanding Workshop Director of Mechanical Manufacturing Division in China" (中國機械工業部優秀車間主任) in 2003, Innovative Results (Grade I) Prize in Modern Enterprise Management of Hunan Province (湖南省企業管理現代化創新成果一等獎) in 2012 and the Outstanding Entrepreneur in Hunan Province (湖南省優秀企業家) in 2013. Ms. Huang obtained her bachelor's degree in lifting and transportation and mechanical engineering profession from Dalian University of Technology , the PRC in 1988.

Mr. Wang Yukun (王玉坤), male, born in 1966, is the chief information officer of our Company. Prior to joining us, Mr. Wang was the assistant to the general manager of AVIC Information Technology Co., Ltd. from December 2000 to October 2007. Mr Wang was also the researcher-level senior engineer of Aviation Industry Corporation of China from October 2004 to September 2006. Mr. Wang joined our Company as the information officer in October 2008 and was appointed as the chief information officer of our Company in July 2010. Mr. Wang has received various awards, including the Individual's Award (Grade III) from Aviation Industry Corporation of China in 1994, the Technology Advancement Award (Grade II) from State Commission of Science and Technology for National Defense Industry in 1997 and the China AVIC Industry and Technology Advancement (Grade II) from 1994 to 1997. Mr. Wang graduated from Shenyang Institute of Aeronautical Engineering (currently known as Shenyang Aerospace University) with a bachelor's degree in electronic engineering in Shenyang City, the PRC in July 1988 and completed a postgraduate program in management science and engineering at University of Science and Technology of China in Hefei City, the PRC in June 1999.

Mr. Shen Ke (申柯), male, born in 1971, is currently the secretary to the Board of Directors and the company secretary of our Company. He also serves as the director of the Office of Secretary to the Board of Directors, the director of the Office of Investment Management, the deputy general manager of environmental industry branch of the Company, executive director and legal representative of Hunan Zoomlion Special Vehicle Co., Ltd., and the chairman of Zoomlion Gulf FZE. Mr. Shen was the vice manager and head of investment development department of our Company from July 2003 to August 2008, deputy head of investment financing management department of our Company from September 2008 to July 2010. Mr. Shen graduated from Shenyang University of Technology in Shenyang City, the PRC with a bachelor's degree in industrial management in July 1993, and Central South University of Technology (currently known as Central South University) in Changsha City, the PRC with a master's degree in management science and engineering in December 1998.

III. Remunerations of directors, supervisors, senior management and employees

During the reporting period, the remuneration and assessment committee of the Board carried out performance assessment on the directors, supervisors and senior management pursuant to the assessment standards based on the fulfillment of major financial indicators and operating targets in 2014, scope of work and major responsibilities of directors, supervisors and senior management, and fulfillment of targets in the relevant performance assessment system. The performance assessment was submitted to the Board of the Company for review.

The Board of the Company determined the remuneration standards of directors, supervisors and senior management for the year pursuant to the remuneration management system and the annual performance assessment conducted by the remuneration and assessment committee of the Board. In 2014, remuneration of directors, supervisors and senior management disclosed was in compliance with the remuneration management system of the Company. The remuneration was not in violation or inconsistent with the remuneration management system.

Unit : RMB10,000

Name	Position	Gender	Age	Employment Status	Total remuneration received from the Company	Total remuneration received from the shareholders' companies	Remuneration paid at the end of the reporting period
Zhan Chunxin	Chairman and Chief Executive Officer	Male	59	Incumbent	202	0	202
Liu Quan	Executive Director	Male	51	Incumbent	120	0	120
Qiu Zhongwei	Non-executive Director	Male	46	Incumbent	0	0	0
Liu Changkun	Independent Director	Male	71	Resigned	0	0	0
Qian Shizheng	Independent Director	Male	62	Incumbent	12	0	12
Wang Zhile	Independent Director	Male	66	Incumbent	12	0	12
Lian Weizeng	Independent Director	Male	68	Resigned	9	0	9
Cao Yongang	Chairman of Supervisory Board	Male	42	Incumbent	0	0	0
Liu Chi	Supervisor	Male	57	Incumbent	97.5	0	97.5
Luo Anping	Employee Supervisor	Male	53	Incumbent	75	0	75
Zhang Jianguo	Senior President	Male	55	Incumbent	135	0	135
Yin Zhengfu	Senior President	Male	58	Incumbent	120	0	120
He Jianming	Senior President	Male	51	Incumbent	112.5	0	112.5
Du Youqi	Senior President	Female	56	Incumbent	112.5	0	112.5
Fang Minghua	Senior President	Male	57	Incumbent	112.5	0	112.5
Wang Chunyang	Senior President	Male	59	Incumbent	112.5	0	112.5
Xu Wuquan	Senior President	Male	57	Incumbent	97.5	0	97.5
Xiong Yanming	Vice President	Male	50	Incumbent	117	0	117
Su Yongzhuan	Vice President	Male	42	Incumbent	120	0	120
Guo Xuehong	Vice President	Male	52	Incumbent	120	0	120
Sun Changjun	Vice President	Male	52	Incumbent	120	0	120
Li Jiangtao	Vice President	Male	51	Incumbent	112.5	0	112.5
Hong Xiaoming	Vice President and the person in charge of financial affairs	Female	51	Incumbent	148	0	148
He Wenjin	Vice President	Male	44	Resigned	123	0	123
Chen Xiaofei	Vice President	Male	51	Incumbent	110	0	110
Chen Peiliang	Vice President	Male	42	Incumbent	97.5	0	97.5
Huang Qun	Vice President	Female	48	Incumbent	60	0	60
Wang Yukun	Chief Information Officer	Male	48	Incumbent	90	0	90
Shen Ke	Secretary to the Board of Directors	Male	43	Incumbent	80	0	80
Total	–	–	–	–	2,628	0	2,628

Note: The resignation of Mr. Lian Weizeng will only become effective upon the appointment of new independent non-executive director at the shareholders' general meeting. Please refer to the announcement issued by the Company dated 4 July 2014 for further details.

IV. Changes in Directors, Supervisors and Senior Management

Name	Position held	Changes	Date	Reason
Huang Qun	Vice president	Employed	11 June 2014	Appointed by the Board of Directors.
Liu Changkun	Independent Director	Resigned	4 July 2014	Resigned due to the reason of age.
Lian Weizeng	Independent Director	Resigned	4 July 2014	Resigned in accordance with the requirements of "The Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-time (Holding Office) in Enterprises" and at the request of their respective units.
He Wenjin	Vice President	Resigned	31 October 2014	Resigned due to personal reason.

Note: The resignation of Mr. Lian Weizeng will only become effective upon the appointment of new independent non-executive director at the shareholders' general meeting. Please refer to the announcement issued by the Company dated 4 July 2014 for further details.

V. Service Contracts of Directors and Supervisors

None of the directors or supervisors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

VI. Directors' and Supervisors' Interests in Contracts

No director or supervisor had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

VII. Employees of the Company

Number of employees		20,314	% of total number of employees
By educational level	Postgraduate or above	1,311	6.45%
	Bachelor's Degree	6,916	34.05%
	Tertiary Education	5,938	29.23%
	Others	6,149	30.27%
By function	Production	8,053	39.63%
	Sales	2,624	12.92%
	Technical	5,533	27.24%
	Financial	682	3.36%
	Management	3,422	16.85%

The Company determines the compensation of the employees based on their respective function, position and performance. The performance and work efficiency of the employees are assessed to determine if they shall be awarded. The appraisal criteria and award mechanism are fair and open. The appointment of employees is conducted in an open and transparent manner and is in compliance with the relevant laws and regulations. In addition, the Company has a well-established training system for employees which offers various forms of training including mentorship program, lecture training and self-learning in order to promote the improvement and development of employees.

Corporate Governance and Corporate Governance Report

The Company has established and has been improving the structure of its corporate governance to regulate its operation strictly in accordance with the Company Law, Securities Law, the relevant regulations of the CSRC and the principles and code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules of Hong Kong. According to the relevant regulations, the Company has improved its internal control system and has realised lawful and efficient operation of shareholders' meetings, board meetings and supervisor meetings so as to implement a comprehensive governance system and disclosure procedures. The Company ensures its sustainable and healthy development to further enhance the corporate value and safeguard the interests of all shareholders and itself.

I. Statement of the Compliance of Corporate Governance Requirements of the PRC Regulatory Authorities and Code on Corporate Governance of Hong Kong

The corporate governance of the Company is substantially the same as required by the regulatory requirements of the CSRC on listing companies. Pursuant to the requirements of the regulatory authorities, the Board of the Company reviewed and refined the structure and implementation of the corporate governance system and the management system for people who have access for insider information, and external information users. It also prepared a report on people who have access to insider information and external information users and reported to relevant regulatory authority.

Dr. Zhan Chunxin acted as the Chairman and Chief Executive Officer of the Company throughout the year of 2014. The Board considers that Dr. Zhan Chunxin concurrently acting as Chairman and Chief Executive Officer can be more efficient in the planning and implementation of the corporate strategies. Under the supervision of the Board and Independent Non-executive Directors and our effective internal checks-and-balances, such arrangement will not create conflict between the Board and the Company in business operation and will not jeopardise the balance of power.

Save as above, the Company has been complying with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules of Hong Kong throughout the year of 2014.

II. Shareholders and Shareholder's General Meeting

The shareholders' general meetings are convened and conducted strictly in accordance with the relevant PRC and overseas statutory requirements and the Articles of Association. Lawyers are invited to attend and witness the meeting. Minutes of shareholders' general meeting are properly maintained to secure the rights of shareholders.

The shareholding structure of the Company are set out in section "Changes in Share Capital and Shareholders" in this annual report.

The Company has been maintaining effective communication with its shareholders through various means of communication such as disclosures of financial and operating results in annual reports, interim reports and quarterly reports. The Company has set up investor telephone hotline and email account to receive advices from shareholders or allow them to exercise their rights. Website of the Company is updated regularly to allow investors and the public to understand the latest development of the Company. The date, contents, method of delivery and announcement of notice of shareholders' general meetings and the voting conducted at shareholders' general meetings are strictly in compliance with the rules and regulations within and outside China including the Company Law and Securities Law of the PRC and the Company Ordinance of Hong Kong, Listing Rules of Shenzhen and Hong Kong and the Articles of Association to ensure that the right of shareholders to attend the general meetings can be exercised effectively.

III. Directors and Board

All Directors have attended board meetings and shareholders' general meetings strictly in accordance with the Articles of Association and Rules of Board Meeting in a bona fide and responsible manner. Directors have actively participated in the relevant training programs to understand the requirements of laws and regulations and the rights, obligations and liabilities of Directors to ensure efficient operation and rational decision-making of the Board. The Directors oversee and regulate the operation of the Company for its best interest. They bear joint and several liabilities for the management, supervision and operation of the Company and are accountable to all shareholders.

The number of members and structure of the Board are in compliance with the relevant laws and regulations. Independent Directors represent a majority of the Board. The Board has performed its duties in accordance with the relevant laws and regulations and the Articles of Association, and the decision-making process is lawful, regularised and efficient.

(I) Responsibilities of the Board

The Board shall convene shareholders' general meetings to submit their work report to shareholders and then promptly implement the resolutions passed at shareholders' general meetings. The Board shall also monitor the overall development of business strategies and determine the business plans and investment plans of the Company. In addition, the Board shall supervise and provide guidance to the management of the Company. The Board shall also be responsible for the supervision of operation and financial performance and formulation of budget and auditing plans of the Company.

The Directors understand that they have the responsibility to prepare annual financial statements for each financial year to give a true and fair view of the position, results and cash flow of the Company in the relevant period. In preparing the financial statements for the year ended 31 December 2014, the Directors have consistently adopted proper accounting policies and made reasonable estimates and have complied with all applicable accounting standards. Having made proper enquiries, the Directors are satisfied that the Company has adequate resources for its business in the foreseeable future. Therefore, the Company's financial statements have been prepared on a going concern basis.

(II) Composition of the Board

The Board of the Company has six members, including a chairman, an Executive Director, a Non-executive Director who has extensive experience in the business and operation of the Company and three Independent Non-executive Directors who have extensive experience and relevant academic and professional qualifications in finance, management, business strategy and human resources management. The Independent Non-executive Directors are influential and active in the strict review and supervision of the internal control procedures of the Company to protect the interest of all shareholders, including the minority shareholders. The particulars and term of office of all Directors are set out in section "Directors, Supervisors, Senior Management and Employees" in this annual report. There is no significant financial, business, family and other major/relevant relationship among the Directors.

The Company confirms that it has received the annual confirmation of independence from all Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules of Hong Kong and the Company is satisfied that all Independent Non-executive Directors are independent according to the independence guidelines under the Listing Rules of Hong Kong.

(III) Appointment and removal of Directors

A Director of the Company shall have a term of office of three years and shall be entitled to be reappointed if so elected provided that the term of office of Independent Non-executive Directors shall not be more than six years. The appointment and removal of Directors shall be approved by shareholders at general meeting. During the year, the changes of Directors of the Company are set out in section "Directors, Supervisors, Senior Management and Employees" in this annual report.

(IV) Board meetings and general meetings

1. According to the Articles of Association, the Board shall hold at least four meetings a year. In the year of 2014, the Board had held seven meetings. The Independent Directors has duly performed their duties strictly in accordance with the "Code on Corporate Governance for Listed Companies", "Guidelines for Establishment of Independent Directors System of Listed Companies" and the Articles of Association so as to understand the production, operation and management of the Company. During the reporting period, the Independent Directors attended the board meetings and shareholders' general meetings and used their respective professional knowledge in performing their duties. They have made useful advice in respect of the operation procedures of the Board and made significant contribution to decisions of the Board. Their independent and objective advices have enabled the Board to make rational decisions for the best interest of the Company and its shareholders as a whole. During the reporting period, the Independent Directors have made no objection to the resolutions and proposals raised at boarding meetings and other meetings of the Company in the year.

The attendance of all Directors at the Board meetings and general meetings in 2014 was as follows:

	Name of Directors	Number of Board meetings held	Attendance	Number of general meetings held	Attendance
Chairman	Mr. Zhan Chunxin	7	7	1	1
Executive Director	Mr. Liu Quan	7	7	1	1
Non-executive Director	Mr. Qiu Zhongwei	7	7	1	1
Independent Non-executive Director	Mr. Qian Shizheng	7	7	1	1
	Mr. Wang Zhile	7	7	1	1
	Mr. Lian Weizeng	7	7	1	1

2. The Company convened its board meetings by giving 14 days' notice in advance for regular meetings and 5 days' notice in advance for ad-hoc meetings in accordance with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules of Hong Kong. The secretary to the Board shall deliver all relevant materials of regular board meetings (including reports from all committees of the Board) to all Directors no less than three days before the date of the meetings to ensure all Directors can acquire understanding of the resolutions to be tabled at the meetings in advance.

   For ad-hoc board meetings convened upon requests of management of the Company through means of communication, the relevant meeting materials shall be delivered to all Directors through email or fax and allow the Directors to have adequate time to consider the matters concerned before the meetings. The secretary to the Board shall promptly reply any questions raised by the Directors and take necessary action to assist Directors to ensure that the board meeting is conducted in accordance with the relevant provisions of the Company Law, the Articles of Association and the Listing Rules of Hong Kong.

3. Minutes of each board meeting shall be endorsed by all attending Directors and recorder and shall be kept for at least 10 years. The minutes shall be available for inspection upon request by any Director.

4. When considering connected transactions, Directors who are considered of having significant interest in the relevant transactions should be absent from the meeting and abstained from voting in respect of the matters concerned.

(V) Performance of Independent Directors

The Independent Non-executive Directors duly perform their duties strictly in accordance with the "Code on Corporate Governance for Listed Companies", "Guidelines for Establishment of Independent Directors System of Listed Companies" and the Articles of Association so as to understand the production, operation and management of the Company. During the reporting period, the Independent Non-executive Directors attended the board meetings and shareholders' general meetings and used their respective professional knowledge in performing their duties. They have made useful advice in respect of the operation procedures of the Board and made significant contribution to decisions of the Board. Their independent and objective advices have enabled the Board to make rational decisions for the best interest of the Company and its shareholders as a whole.

During the reporting period, the Independent Non-Executive Directors have made no objection to the resolutions and proposals raised at boarding meetings and other meetings of the Company in the year.

(VI) Measures to ensure that Directors can perform their duties properly

1. Upon appointment of a Director, the Company will provide all necessary materials to the Director to allow him/her to understand the requirement of the Listing Rules of Shenzhen and Hong Kong and other relevant laws and regulations. The Director shall also be provided with the updates of the relevant laws and regulation and internal publications and other information concerning the duties of Directors. Ongoing training will also be provided to allow the Directors to fully understand their duties under the Listing Rules of Shenzhen and Hong Kong and other relevant laws and regulations and the operation of the Company in a timely manner. On-site inspections and communications with accounting staff and auditors will also be organised for the Independent Non-executive Directors to facilitate full performance of their duties.

2. In formulating their opinion on guarantee for third parties, appropriation of funds and connected transactions, Directors may seek independent advice from independent auditor and solicitor engaged by the Company to facilitate the performance of their duties.

(VII) Authorities and responsibilities of the Board and the management

The authorities and responsibilities of the Board and the management have clear separation. The responsibilities of the Board are set out in Article 149 of the Company's Articles of Association. The management shall report to the Board and provide adequate updated information to the Board and its committees to enable them to make informed decisions. Management shall also provide further information upon request by the Directors.

(VIII) Trainings for Directors

The training records of each incumbent Director in 2014 are summarised as follows:

Directors	Type of training
Mr. Zhan Chunxin	ABCD
Mr. Liu Quan	BD
Mr. Qiu Zhongwei	BD
Mr. Qian Shizheng	ABD
Mr. Wang Zhile	BD
Mr. Lian Weizeng	ABCD

A Attending seminars or forums

B Reading documents relating to general business, development and investment and duties and responsibilities of directors etc.

C Making speeches at external seminars or forums

D Participating in corporate activities or visits

IV. Performance of Duties by Committees of the Board during the Reporting Period

The Board has established four committees, namely the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy and Investment Decision-making Committee. The committees have their terms of reference which set out their respective compositions, duties and authority, decision-making procedures and rules of meeting. The Board is charged with duties in corporate governance, procuring the management to establish a compliant organisational structure and regime and to abide by the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules of Hong Kong and other laws and regulations in day-to-day management. The Board has delegated some of its functions to the board committees, details of which are set out below.

(I) Remuneration and Appraisal Committee

1. Role and responsibilities of the Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee shall determine the criteria for and shall conduct the performance appraisal of Directors and senior management. The committee shall also be responsible for considering, reviewing, verifying and formulating the remuneration policies and proposals for Directors and senior management for approval by the Board. The committee shall supervise and procure the implementation of resolutions of the Board in relation to remuneration or performance appraisal of Directors and senior management. It shall perform other duties in relation to the remuneration or performance appraisal of Directors and senior management in accordance with the Articles of Association and as authorised by the Board.

2. Composition and meetings of the Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee has three members, including two Independent Non-executive Directors and a Non-executive Director. The convener of the Remuneration and Appraisal Committee is Mr. Lian Weizeng, Independent Non-executive Director, and other members include Mr. Wang Zhile and Mr. Qiu Zhongwei.

In 2014, the Remuneration and Appraisal Committee held one meeting and all members attended the meeting in person. During the meeting, the committee reviewed the performance of the Directors, Supervisors and senior management of the Company in 2013 and conducted annual performance appraisal based on the appraisal criteria and remuneration policies and proposals.

3. Determination and the basis of remuneration packages of Directors and senior management

The remuneration of Directors and senior management shall be proposed by the Remuneration and Appraisal Committee based on their individual responsibilities and the remuneration level of other comparable listed companies for approval by the Board according to the Assessment Method for Senior Management of the Company. The remuneration of Directors shall be approved at the shareholders' general meeting.

The Remuneration and Appraisal Committee shall review the remuneration and performance appraisal results annually and propose the remuneration packages for the next year. The committee shall conduct annual appraisal of the senior management and determine their remuneration accordingly.

(II) Nomination Committee

1. Role and responsibilities of the Nomination Committee

The Nomination Committee is responsible for the establishment of the criteria and procedures for the election of Directors and senior management. The committee shall consider and discuss the qualifications, the election procedures and term of office of Directors and senior management in accordance with relevant laws and regulations and the Articles of Association with reference to the Company's condition for approval by the Board.

2. Composition and meetings of the Nomination Committee

The Nomination Committee has three members, including two Independent Non-executive Directors and an Executive Director. Mr. Lian Weizeng, an Independent Non-executive Director, is the chairman of the committee and other members include Mr. Zhan Chunxin and Mr Wang Zhile. In 2014, the Nomination Committee held one meeting to review the matters regarding the engagement of Ms. Huang Qun as vice president of the Company and all members attended the meeting in person.

3. Appointment of Directors and senior management

Executive Directors and Non-executive Directors of the Company shall be nominated by shareholders for approval by shareholders at general meeting. The Independent Non-executive Directors shall be nominated by the Board for approval by shareholders at general meeting. The appointment of senior management shall be reviewed by the Nomination Committee and approved by the Board.

The nomination, appointment and re-appointment of Directors and senior management are based on the professional knowledge, experience, integrity, commitment, academic qualifications and other relevant standards of the candidates.

(III) Audit Committee

1. Role and responsibilities of the Audit Committee

The Audit committee shall give advice to the Board on the appointment, termination, fee and terms of appointment of external auditors. The committee shall also oversee the internal audit system of the Company. The committee shall examine the integrity and accuracy of financial information and disclosure of the Company, including the financial statements, annual report and accounts, interim report and quarterly report. The committee shall review the material opinions regarding the financial reporting of the Company as set out in the statements and reports. The committee shall review the financial control, internal control and risk management systems of the Company and examine major connected transactions.

2. Composition and meetings of the Audit Committee

The Audit committee has three members, including two Independent Non-executive Directors and one Non-executive Director. The chairman of Audit committee is Mr. Qian Shizheng, an Independent Non-executive Director, and other members include Mr. Wang Zhile, an Independent Non-executive Director, and Mr. Qiu Zhongwei, a Non-executive Director. The composition of the Audit Committee complies with Rule 3.21 of the Listing Rules of Hong Kong.

In 2014, the Audit committee held five meetings mainly to review the results for 2013, the interim results for 2014 of the Company and engagement of audit firm, and all members attended the meetings in person. The Audit Committee also reviewed the audited annual results of the Company for the year ended 31 December 2014. It reviewed the accounting principles and practices adopted by the Company and discussed on issues regarding the internal control and financial reporting.

(IV) Strategy and Investment Decision-making Committee

1. Role and responsibilities of the Strategy and Investment Decision-making Committee

The committee is mainly responsible for the formulation and provision of advice on long-term development strategies and major investment decisions of the Company.

2. Composition and meeting of the Strategy and Investment Decision-making Committee

The Strategy and Investment Decision-making Committee has three members, including an Executive Director, a Non-executive Director and an Independent Non-executive Director. The chairman of the Strategy and Investment Decision-making Committee is Mr. Zhan Chunxin, an Executive Director, and other members include Mr. Qiu Zhongwei and Mr. Wang Zhile.

In 2014, the Strategy and Investment Decision-making Committee held one meeting to review the matters regarding the bid for the 1.8 billion shares in Chery Heavy Industry Co., Ltd. and all members attended the meeting in person.

V. Remuneration and Interests of Directors, Supervisors and Senior Management

(I) Remuneration

The remuneration of Directors, Supervisors and senior management of the Company for the year is set out in section headed “Directors, Supervisors, Senior Management and Employees” in this annual report.

Further details regarding the remuneration of the Directors and Supervisors during the year are set out in note 7 to the financial statements prepared under IFRSs.

(II) Interests

Service contract of Directors and Supervisors and their contractual interests

The Company has not entered into any service contract with any of its Directors or Supervisors which is not terminable by the Company in less than one year without payment of compensation (except statutory compensation).

Directors and Supervisors' interests in contracts

None of the Directors and Supervisors had any material interest, whether directly or indirectly, in any contract of significance subsisting at the end of the year or at any time during the year of 2014.

Directors, Supervisors and senior management's interests in shares or debentures

The Directors, Supervisors and senior management's interests in shares of the Company as at 31 December 2014 are set out in Section "Directors, Supervisors, Senior Management and Employees" in this annual report.

Directors, Supervisors and senior management's interests or short positions in securities of the Company or its associated corporations under Hong Kong laws and regulations

As at 31 December 2014, the Directors, Supervisors and senior management who have interest or a short position in the shares, underlying shares and debentures of the Company or associated corporation (as defined in Part XV of Securities and Futures Ordinance (the "SFO")) which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or required to be disclosed to the Company and SEHK pursuant to the Appendix X to the Listing Rules of Hong Kong "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") were as follows:

Name of Directors/ Supervisors	Nature of interest	Class of shares	Number of shares	Percentage of the total share capital of the same class (%)
Zhan Chunxin	Beneficial owner	A Share	5,152,036 (L)	0.0821
Liu Quan	Beneficial owner	A Share	1,068,052 (L)	0.0170
Liu Chi	Beneficial owner	A Share	379,211 (L)	0.0060
Luo Anping	Beneficial owner	A Share	450,055 (L)	0.0072

Note: L represents long position

As at 31 December 2014, save as disclosed above, none of the Directors, Supervisors or chief executive officer has any interest 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 SFO) which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and SEHK pursuant to the Model Code set out in the Listing Rules of Hong Kong.

As at 31 December 2014, none of the Directors, Supervisors, or chief executive officers or their respective spouse or children under 18 years of age has any rights to acquire the shares or debentures of the Company or any of its associated corporations, nor exercise any of these rights.

Dealings in securities by Directors and Supervisors

The Company has adopted the Model Code to regulate the dealing in shares of the Company by Directors. Having made specific enquiry of all Directors and Supervisors, all Directors and Supervisors confirmed that they had complied with the Model Code during 2014. The Company was not aware of any non-compliance of Model Code during the reporting period.

VI. Auditors

Baker Tilly China Certified Public Accountants and KPMG, respectively, were the domestic and international auditors of the Company for 2014.

These two audit firms provide audit services for the Company on its financial statements, including the audit of the Company's annual financial statements of 2014, the review of interim financial report, internal control audit and the audits of subsidiaries' statutory financial statements. The aggregate audit fees paid to these two audit firms were RMB13.77 million (inclusive of taxes and outlays).

The responsibility statements of Baker Tilly China Certified Public Accountants and KPMG on the financial statements of the Company were set out in the Domestic Auditor's Report and International Auditor's Report respectively.

VII. Trainings for Company Secretary

Shen Ke, the Company Secretary, confirmed that he has received no less than 15 hours of relevant professional trainings in 2014.

VIII.Establishment of Internal Control System of the Company

(I) Establishment of Internal Control System

In 2014, the Company continued to improve the risk prevention and internal control system in terms of the coverage, importance, balance of powers, adaptability and cost efficiency in accordance with legal requirements including the Corporate Internal Control Regulation (企業內部控制基本規範), the Articles of Association and internal management system of the Company. The Company streamlined and refined the internal control procedures and formulated standards including the Provisional Manual for Internal Control Management (內部控制管理手冊(試行)) and Provisional Manual for Assessment of Internal Control (內部控制評價手冊(試行)) in order to formulate a systematic and standardised internal control management system. Under the guidance of the leading team of internal control, the internal control department was established to streamline and optimise the internal control system of the Company. It promoted the internal control manuals, conducted annual internal control assessment, improved the relevant management systems and established comprehensive internal control system of the Company, further enhancing the internal control system of the Company. An internal control assessment team comprising staff from branches and subsidiaries (collectively the "operating units") and various departments of the Company with extensive knowledge of the Company and outstanding capability was formed to conduct internal control assessment. The Company also appointed Baker Tilly China Certified Public Accountants to conduct independent auditing on the effectiveness of the internal control relating to the Company's financial reporting.

(II) Statement of the Board Regarding the Internal Control Responsibility

The Board and all Directors of the Company warrant that there are no misrepresentations, misleading statements or material omissions in this report and they shall, individually and jointly, accept full responsibility for the truthfulness, accuracy and completeness of the contents of this report. It is the responsibility of the Board to establish and implement sound and effective internal control of the Company. The Supervisory Board is responsible for monitoring the establishment and implementation of internal control by the Board, while the management is responsible for organising the daily operation of internal control of the Company. The control objectives of the Company are to ensure the operation in compliance with laws and regulations, the security of assets and the truthfulness and completeness of financial reports and relevant information, to enhance the efficiency and effectiveness of operation and to facilitate the implementation of development strategies. Due to the inherent limitation of internal control, the Company can only provide reasonable guarantee for the achievement of these objectives.

(III) Basis of the Internal Control for Financial Reporting

Pursuant to the Corporate Internal Control Regulation (企業內部控制基本規範) (the "Regulation"), the Implementation Guidelines for Corporate Internal Control (企業內部控制應用指引) (the "Implementation Guidelines") and the Assessment Guidelines for Corporate Internal Control (企業內部控制評價指引) (the "Assessment Guidelines") jointly issued by five ministries including the Ministry of Finance of the PRC, the Guidelines for Internal Control of Listed Companies of SZSE (深交所上市公司內部控制指引) (the "SZSE Guidelines") issued by SZSE, Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Internal Control and Risk Management — A Basic Framework issued by the HKICPA, and according to the internal control system and assessment measures of the Company, the Company conducted assessment on the effectiveness of the design and implementation of internal control of the Company as at 31 December 2014 in addition to the daily and specific supervision for internal control.

(IV) Formulation and Implementation of Accountability System for Material Errors of Annual Report

The Company has formulated the Accountability System for Material Errors of Annual Report (年度報告重大差錯責任追究制度). Through establishing an accountability system for material errors in regard to information disclosure of annual report, the accountability for the responsible persons of information disclosure of annual report was strengthened, which has further improved the quality and transparency of information disclosure in the annual report. There was no material error in the annual report of the Company for 2013.

IX. Material amendments to the Articles of Association

During the year under review, the following amendments were made to the Articles of Association of the Company:

Regarding amendments to profit distribution policy

Pursuant to the requirements of the "Listed Companies Regulatory Guidelines No. 3 — Cash Dividends Distribution of Listed Companies" (《上市公司監管指引第3號 — 上市公司現金分紅》) of CSRC, the Board proposed to amend the provisions regarding profit distribution policy in the Articles of Association of the Company as follows:

	Before amendment	After amendment
Article 228	Profit distribution policy of the Company:	Profit distribution policy of the Company:
	(1) Profit distribution of the Company shall provide reasonable investment return to investors while safeguarding the legal interest of investors as a whole and maintaining the sustainability of the Company. The profit distribution policy of the Company shall be sustainable and stable.	(1) Profit distribution of the Company shall provide reasonable investment return to investors while safeguarding the legal interest of investors as a whole and maintaining the sustainability of the Company. The profit distribution policy of the Company shall be sustainable and stable.
	(2) Dividends can be paid by way of cash, shares or a combination of cash and shares. The Company may make interim and annual profit distribution. The Company shall make cash distribution if the profit for the current year and accumulative retained profit are positive and it has no major investment plan or significant cash expenditure. The total profit distributed in cash in the past three years shall not be less than 30% of the average annual distributable profit of the past three years. According to the profit and liquidity of the Company, the Company may distribute dividend in shares, provided that a minimum cash dividend has been made and that the capital size and structure shall not be adversely affected.	(2) Dividends can be paid by way of cash, shares or a combination of cash and shares where priority shall be given to distribution of profits in cash. The Company may make interim and annual profit distribution. The Company shall make cash distribution if the profit for the current year and accumulative retained profit are positive and it has no major investment plan or significant cash expenditure. The total profit distributed in cash in the past three years shall not be less than 30% of the average annual distributable profit of the past three years. According to the profit and liquidity of the Company, the Company may distribute dividend in shares, provided that a minimum cash dividend has been made and that the capital size and structure shall not be adversely affected.

Before amendment	After amendment
(3) The profit distribution of the Company shall be proposed by the board of directors in accordance with these articles and the operating condition of the Company. The board of directors shall carefully consider the views of independent directors and supervisors when determining the profit distribution proposal. The profit distribution proposal shall provide continuous, stable and reasonable return to all shareholders. The independent directors shall give their independent views on the profit distribution proposal at board meeting before it is put for approval at general meeting. When specific proposals for distributing cash dividends are considered at the general meeting, different channels including but not limited to mail, fax, telephone and inviting the medium and minority shareholders to attend the meeting should be used to communicate and interact with shareholders, in particular, the medium and minority shareholders, and their opinions and requests should be fully heard, and their concern addressed in a timely manner.	(3) The Board shall distinguish the following circumstances taking into account its industry features, development stages, business model and profitability as well as whether it has any significant capital expenditure arrangement, and put forward differentiated cash dividend policy in accordance with the procedures set out in the Articles of Association: 1. Where the Company is in a developed stage with no significant capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution when distributing its profits; 2. Where the Company is in a developed stage with significant capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution when distributing its profits; 3. Where the Company is in a developing stage with significant capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution when distributing its profits.

Before amendment	After amendment
(4) If the Company does not propose the cash distribution of profits for the year, it shall explain the reasons and the proposed applications of the funds in annual report. The independent directors shall give their independent views on the proposed applications of the profits at board meeting before such proposal is submitted to the general meeting for approval. (5) If the production and operation of the Company is seriously affected by war, natural disasters and other force majeure or the operation of the Company has significant changes, the Company may change its profit distribution policy. The independent views of independent directors shall be sought before the proposed changes in the profit distribution policy are submitted by the Board to the general meeting for consideration. The proposed changes shall be passed by no less than two-thirds of the voting rights held by the shareholders present at the general meeting.	If it is difficult to distinguish the Company's stage of development but if it has significant capital expenditure arrangement, the profit distribution may be dealt with pursuant to the preceding provisions. (4) The profit distribution of the Company shall be proposed by the board of directors in accordance with these articles and the operating condition of the Company. The board of directors shall carefully consider the views of independent directors and supervisors when determining the profit distribution proposal. The profit distribution proposal shall provide continuous, stable and reasonable return to all shareholders. The independent directors shall give their independent views on the profit distribution proposal at board meeting before it is put for approval at general meeting. When specific proposals for distributing cash dividends are considered at the general meeting, different channels including but not limited to mail, fax, telephone and inviting the medium and minority shareholders to attend the meeting should be used to communicate and interact with shareholders, in particular, the medium and minority shareholders, and their opinions and requests should be fully heard, and their concern addressed in a timely manner.

Before amendment	After amendment
(6) Upon occurrence of any illegal appropriation of the Company's funds by shareholders, the Company shall deduct the cash dividend payable to such shareholders to make up for the funds appropriated by such shareholders. (7) The Company shall strictly comply with the relevant requirements to disclose details of the formulation, execution and other conditions of the Cash Dividend Policy in regular reports.	(5) If the Company does not propose the cash distribution of profits for the year, it shall explain the reasons and the proposed applications of the funds in annual report. The independent directors shall give their independent views on the proposed applications of the profits at board meeting before such proposal is submitted to the general meeting for approval. (6) The Company shall strictly implement the cash dividends policy set forth in the Articles of Association and the specific proposals for distributing cash dividends as considered and approved at the shareholders' general meeting. If the production and operation of the Company is seriously affected by war, natural disasters and other force majeure or the operation of the Company has significant changes, the Company may change its profit distribution policy. The independent views of independent directors shall be sought before the proposed changes in the profit distribution policy are submitted by the Board to the general meeting for consideration. The proposed changes shall be passed by no less than two-thirds of the voting rights held by the shareholders present at the general meeting.

Before amendment	After amendment
	(7) Upon occurrence of any illegal appropriation of the Company's funds by shareholders, the Company shall deduct the cash dividend payable to such shareholders to make up for the funds appropriated by such shareholders. (8) The Company shall strictly comply with the relevant requirements to disclose details of the formulation, execution and other conditions of the Cash Dividend Policy in regular reports.

The above amendments to the Articles of Association were passed and approved by the Shareholders at the annual general meeting held on 27 June 2014.

X. Performance Appraisal and Award System of Senior Management

The Remuneration and Appraisal Committee of the Board is responsible for formulating and reviewing remuneration schemes and proposals of the Company, which mainly include the performance evaluation criteria and procedures, the major appraisal system, the major award and penalty schemes and systems, based on the terms of reference, responsibilities and importance of the respective positions held by the senior management and the remuneration levels of the relevant positions in the industry. It is also accountable for the establishment of the appraisal standards for senior management of the Company, the review of their performance of duties, and the annual performance appraisal in accordance with the appraisal standards and remuneration policies and schemes of the Company.

The Board of the Company determined the remuneration standards of senior management for the year pursuant to the unified remuneration management system and the annual performance assessment conducted by the remuneration and assessment committee of the Board. In 2014, remuneration of senior management was in compliance with the remuneration management system of the Company. The remuneration was not in violation or inconsistent with the remuneration management system.

XI. Control on Appraisal and Award System

The Company determines the remuneration and compensation of the employees based on their respective function, position and performance. The performance and work efficiency of the employees are assessed to determine if they shall be awarded. The appraisal criteria and award mechanism are fair and open. The appointment of employees is conducted in an open and transparent manner and is in compliance with the relevant laws and regulations.

XII. Relationship with Shareholders and Investors

(I) Shareholders

The annual general meeting is considered as an important annual event of the Company. The Directors, Supervisors and senior management have attended the meetings and answered enquires from shareholders to maintain direct communication with shareholders.

Shareholders' right to convene an extraordinary general meeting and a meeting of shareholders of a particular class

According to the Articles of Association of the Company, shareholders individually or in aggregate holding 10% or more of the shares of the Company shall have the right to make a written request to the Board to convene an extraordinary general meeting or class meeting. The Board shall reply in writing on whether agree or not to convene an extraordinary general meeting or class meeting within 10 days after receiving the request in accordance with laws, administrative regulations and the Articles of Association.

Where the Board agrees to convene an extraordinary general meeting or class meeting, a notice convening such meeting shall be issued within five days after the resolution made by the Board. Any change to the original proposal in the notice is subject to the approval by relevant shareholders. Once the notice is issued, the Board may not propose new motions or change or postpone the date of such meeting without obtaining approval from the proposing shareholders.

Where the Board does not agree to convene an extraordinary general meeting or class meeting or fails to give response within 10 days after receiving the request, shareholders individually or in aggregate holding 10% or more of the shares of the Company are entitled to make a written request to the Supervisory Board to convene an extraordinary general meeting or class meeting.

Where the Supervisory Board agrees to convene an extraordinary general meeting or class meeting, a notice convening such meeting shall be issued within five days after receiving the request. Any change to the original proposal in the notice is subject to the approval by the relevant shareholders.

Where the Supervisory Board fails to issue a notice convening such meeting within the prescribed period, the Supervisory Board is deemed not to convene or preside over the general meeting and shareholders individually or in aggregate holding 10% or more of the shares of the Company for over 90 consecutive days may convene and preside over the general meeting.

Where the proposing shareholders convene and hold a meeting because the Board and the Supervisory Board fail to convene such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent directors.

Shareholders' right to propose resolutions at general meetings

According to the Articles of Association of the Company, any shareholders who hold, individually or in aggregate, 3% or more of shares of the Company shall have the right to propose a new resolution. The matters within the scope of authority of the general meeting in the proposal shall be included in the agenda.

Any shareholders who hold, individually or in aggregate, 3% or more of the shares of the Company shall have the right to propose and submit interim proposals in writing to the convener 10 days prior to the convening of a general meeting. The convener shall issue a supplementary notice of general meeting containing the details of the interim proposals within 2 days after receiving the proposal.

Please refer to the Articles of Association of the Company for details of the rights of shareholders.

Shareholders may send their enquiries or suggestions in writing by post to the Board or the Company Secretary at the registered addresses of the Company or by email to the Company. In addition, if the shareholders have any enquiry regarding their shares or dividends, they may contact Computershare Hong Kong Investor Services Limited, the H Share registrar of the Company. The contact information is set out in the "Company Profile" in this annual report.

(II) Investors

The Company is dedicated to the development of investor relationship. It maintains close relationship with its investors through telephone hotline, email and direct contact.

Details of the investor relationship activities of the Company in 2014 are set out in "Reception of Research Investigations, Communications and Interviews during the Reporting Period" in "Report of the Board of Directors" of this report.

Looking forward, the Company will enhance the communication with investors so as to increase their understanding about the Company and to seek their continuous support and concern.

XIII. Stakeholders

The Company fully respects and protects legal rights of the stakeholders such as creditors, employees and consumers. It also attaches importance to the cooperation with its stakeholders, which helps to jointly promote sustainable and healthy development of the Company.

XIV. Connected Transactions

All connected transactions of the Company were conducted in a fair and reasonable way under proper decision-making process. The decision making procedures were in compliance with laws and regulations. The considerations of transaction were determined on the basis of market rates and the basis of determination was fully disclosed. The Company has strictly complied with the relevant regulations on connected transactions under the Listing Rules of Hong Kong since its listing in Hong Kong. Please refer to “Material Connected Transactions of the Company during the Year” in “Significant Events” for details.

XV. Information Disclosure and Transparency

The secretary to the Board is responsible for disclosing information, receiving shareholders visits and answering enquiries. The Company is required to disclose relevant information in a true, accurate, complete and timely manner, maintain good relationship with investors and ensure all shareholders received information equally pursuant to the laws, regulations and requirements of the Articles of Association. The Company is cautious about the accuracy of the information disclosed and the relevant officer will be held responsible for any disclosure of inaccurate information. The Company has further improved the quality and transparency of information disclosure in the annual report. The Company also strictly implemented the Management System for People Having Access to Insider Information and External Information Users (內幕信息知情人和外部信息使用人管理制度).

XVI. Remuneration and Retirement Benefits of Employees

The remuneration package of our employees includes salary, bonuses and allowances. Our employees also enjoy medical insurance, housing subsidies, retirement pension and other benefits. The Company participated in the social insurance scheme administrated by relevant government authorities pursuant to applicable regulations. Under the scheme, the Company is required to contribute social insurance for the staff at specific proportion of the monthly salary of the staff.

Details of staff welfare benefits offered by the Company are set out in note 24 to the financial statements prepared under IFRSs.

Independent Auditor's Report

To the shareholders of Zoomlion Heavy Industry Science and Technology Co., Ltd.
(Incorporated in The People's Republic of China with limited liability)

We have audited the consolidated financial statements of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 87 to 188, which comprise the consolidated and company balance sheets as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

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

KPMG
Certified Public Accountants
8/F, Prince's Building
10 Chater Road
Hong Kong, China

27 March 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

(Expressed in RMB)

	Note	**2014 RMB millions**	2013 RMB millions
Turnover	3	**25,851**	38,542
Cost of sales and services		**(18,642)**	(27,300)
Gross profit		**7,209**	11,242
Other revenues and net income/(loss)	4	**164**	(49)
Sales and marketing expenses		**(3,036)**	(3,631)
General and administrative expenses		**(2,347)**	(2,701)
Research and development expenses		**(443)**	(570)
Profit from operations		**1,547**	4,291
Net finance costs	5(a)	**(692)**	195
Gain on disposal of associates		**7**	—
Share of profits less losses of associates		**1**	41
Profit before taxation	5	**863**	4,527
Income tax	6	**(235)**	(570)
Profit for the year		**628**	3,957
Other comprehensive income for the year (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside PRC		**(210)**	(51)
Change in fair value of available-for-sale equity securities		**3**	(1)
Total other comprehensive income for the year		**(207)**	(52)
Total comprehensive income for the year		**421**	3,905

The notes on pages 96 to 188 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

(Expressed in RMB)

	Note	2014 RMB millions	2013 RMB millions
Profit attributable to:			
Equity shareholders of the Company	9	**594**	3,844
Non-controlling interests		**34**	113
Profit for the year		**628**	3,957
Total comprehensive income attributable to:			
Equity shareholders of the Company		**387**	3,792
Non-controlling interests		**34**	113
Total comprehensive income for the year		**421**	3,905
Basic and diluted earnings per share (RMB)	10	**0.08**	0.50

The notes on pages 96 to 188 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2014

(Expressed in RMB)

	Note	2014 RMB millions	2013 RMB millions
Non-current assets			
Property, plant and equipment	12	**6,781**	6,847
Lease prepayments		**1,960**	1,610
Intangible assets	13	**1,347**	1,320
Goodwill	14	**1,661**	1,796
Interests in associates	15	**228**	195
Other financial assets		**471**	146
Trade and other receivables	17	**3,697**	3,610
Receivables under finance lease	18	**4,476**	7,407
Pledged bank deposits	19	**520**	974
Other non-current assets	36	**2,088**	—
Deferred tax assets	23(b)	**618**	644
Total non-current assets		**23,847**	24,549
Current assets			
Inventories	16	**10,376**	8,747
Other current assets		**280**	306
Trade and other receivables	17	**30,639**	26,569
Receivables under finance lease	18	**12,202**	10,228
Pledged bank deposits	19	**1,891**	2,441
Cash and cash equivalents	20	**14,483**	16,657
Total current assets		**69,871**	64,948
Total assets		**93,718**	89,497
Current liabilities			
Loans and borrowings	21(a)	**5,687**	8,397
Trade and other payables	22	**19,494**	23,891
Income tax payable	23(a)	**30**	437
Total current liabilities		**25,211**	32,725
Net current assets		**44,660**	32,223
Total assets less current liabilities		**68,507**	56,772

The notes on pages 96 to 188 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2014

(Expressed in RMB)

	Note	2014 RMB millions	2013 RMB millions
Non-current liabilities			
Loans and borrowings	21(b)	**25,925**	12,750
Other non-current liabilities	25	**899**	1,542
Deferred tax liabilities	23(b)	**475**	468
Total non-current liabilities		**27,299**	14,760
NET ASSETS		**41,208**	42,012
CAPITAL AND RESERVES			
Share capital	26(a)	**7,706**	7,706
Reserves	26(b)	**33,085**	33,873
Total equity attributable to equity shareholders of the Company		**40,791**	41,579
Non-controlling interests		**417**	433
TOTAL EQUITY		**41,208**	42,012

Approved and authorised for issue by the board of directors on 27 March 2015.

Zhan Chunxin
Chairman and Chief Executive Officer

Hong Xiaoming
Vice president and
the person in-charge of financial affairs

The notes on pages 96 to 188 form part of these financial statements.

Company Balance Sheet

As at 31 December 2014

(Expressed in RMB)

	Note	2014 RMB millions	2013 RMB millions
Non-current assets			
Property, plant and equipment	12	**4,594**	4,731
Lease prepayments		**1,342**	994
Intangible assets	13	**245**	250
Investments in subsidiaries	33	**12,172**	11,771
Interests in associates	15	**235**	132
Other financial assets		**468**	143
Trade and other receivables	17	**3,574**	3,584
Pledged bank deposits	19	**335**	353
Other non-current assets	36	**2,088**	—
Deferred tax assets	23(b)	**253**	237
Total non-current assets		**25,306**	22,195
Current assets			
Inventories	16	**8,188**	6,271
Other current assets		**280**	306
Trade and other receivables	17	**33,771**	32,895
Pledged bank deposits	19	**1,554**	1,531
Cash and cash equivalents	20	**11,234**	11,822
Total current assets		**55,027**	52,825
Total assets		**80,333**	75,020
Current liabilities			
Loans and borrowings	21(a)	**2,636**	4,371
Trade and other payables	22	**21,435**	24,431
Income tax payable	23(a)	**—**	404
Total current liabilities		**24,071**	29,206
Net current assets		**30,956**	23,619
Total assets less current liabilities		**56,262**	45,814

The notes on pages 96 to 188 form part of these financial statements.

Company Balance Sheet

As at 31 December 2014

(Expressed in RMB)

	Note	2014 RMB millions	2013 RMB millions
Non-current liabilities			
Loans and borrowings	21(b)	**16,601**	5,050
Other non-current liabilities	25	**220**	221
Total non-current liabilities		**16,821**	5,271
NET ASSETS		**39,441**	40,543
CAPITAL AND RESERVES			
Share capital	26(a)	**7,706**	7,706
Reserves	26(b)	**31,735**	32,837
TOTAL EQUITY		**39,441**	40,543

Approved and authorised for issue by the board of directors on 27 March 2015.

Zhan Chunxin
Chairman and Chief Executive Officer

Hong Xiaoming
Vice president and
the person in-charge of financial affairs

The notes on pages 96 to 188 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital (Note 26(a)) RMB millions	Capital reserve (Note 26(b)(i)) RMB millions	Statutory surplus reserve (Note 26(b)(ii)) RMB millions	Exchange reserve (Note 26(b)(iii)) RMB millions	Other reserve (Note 26(b)(iv)) RMB millions	Retained earnings RMB millions	Total RMB millions	Non-controlling interests RMB millions	Total equity RMB millions
Balance at 1 January 2013	7,706	14,606	2,613	(59)	(2)	15,898	40,762	387	41,149
Appropriation (Note 26(b)(ii))	–	–	289	–	–	(289)	–	–	–
Cash dividends (Note 26(c))	–	–	–	–	–	(1,541)	(1,541)	–	(1,541)
Safety production fund (Note 35(b))	–	–	–	–	5	(5)	–	–	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	3	3
Acquisition of non-controlling interests	–	(1,434)	–	–	–	–	(1,434)	(43)	(1,477)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	(27)	(27)
Total comprehensive income for the year	–	–	–	(51)	(1)	3,844	3,792	113	3,905
Balance at 31 December 2013 and 1 January 2014	7,706	13,172	2,902	(110)	2	17,907	41,579	433	42,012
Appropriation (Note 26(b)(ii))	**–**	**–**	**4**	**–**	**–**	**(4)**	**–**	**–**	**–**
Cash dividends (Note 26(c))	**–**	**–**	**–**	**–**	**–**	**(1,156)**	**(1,156)**	**–**	**(1,156)**
Contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2**	**2**
Acquisition of non-controlling interests	**–**	**(19)**	**–**	**–**	**–**	**–**	**(19)**	**(38)**	**(57)**
Dividends declared by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(14)**	**(14)**
Total comprehensive income for the year	**–**	**–**	**–**	**(210)**	**3**	**594**	**387**	**34**	**421**
Balance at 31 December 2013 and 1 January 2014	**7,706**	**13,153**	**2,906**	**(320)**	**5**	**17,341**	**40,791**	**417**	**41,208**

The notes on pages 96 to 188 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014

(Expressed in RMB)

	Note	2014 RMB millions	2013 RMB millions
Operating activities			
Profit before taxation		**863**	4,527
Adjustments for:			
Depreciation of property, plant and equipment		**512**	459
Amortisation of lease prepayments		**38**	29
Amortisation of intangible assets		**96**	74
Share of profits less losses of associates		**(1)**	(41)
Interest income		**(720)**	(694)
Interest expense		**1,260**	970
Loss on disposal of property, plant and equipment, and intangible assets		**11**	22
Loss on disposal of a subsidiary		**–**	1
Gain on disposal of associates		**(7)**	–
Loss/(gain) on remeasurement of derivative financial instruments at fair value		**12**	(3)
Impairment loss of property, plant and equipment		**–**	12
Impairment loss of goodwill		**–**	25
		2,064	5,381
(Increase)/decrease in inventories		**(581)**	3,041
Increase in trade and other receivables		**(4,058)**	(8,086)
Decrease in receivables under finance lease		**2,471**	2,543
Cash paid for repurchase of equipment at fair market value from banks to which the Group previously factored its receivables under finance lease without recourse	18	**(2,509)**	(673)
Cash paid for repurchase of equipment from third-party leasing company under joint leasing arrangement	30(a)	**–**	(64)
Decrease in trade and other payables		**(5,166)**	(720)
Cash (used in)/generated from operations		**(7,779)**	1,422
Income tax paid		**(632)**	(1,379)
Net cash (used in)/generated from operating activities carried forward		**(8,411)**	43

The notes on pages 96 to 188 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014

(Expressed in RMB)

	Note	2014 RMB millions	2013 RMB millions
Net cash (used in)/generated from operating activities brought forward		**(8,411)**	43
Investing activities			
Payment for purchase of property, plant and equipment		**(534)**	(853)
Lease prepayments		**(388)**	(196)
Payment for purchase of intangible assets		**(53)**	(89)
Dividends received from associates		**16**	13
Prepayment for acquisition of Chery Heavy Industry Co., Ltd.	36(a)	**(2,088)**	—
Payment for acquisition of investments in available-for-sale financial assets		**(350)**	—
Proceeds from disposal of other investments		**38**	—
Payment for acquisition of m-tec mathis technik GmbH, net of cash acquired	14	**(239)**	—
Payment for investments in associates and equity investments		**(46)**	(22)
Proceeds from disposal of property, plant and equipment and intangible assets		**29**	51
Proceeds from disposal of a subsidiary		**—**	2
Interest received		**720**	694
Decrease/(increase) in pledged bank deposits		**1,004**	(292)
Net cash used in investing activities		**(1,891)**	(692)
Financing activities			
Proceeds from loans and borrowings		**14,296**	12,175
Proceeds from issuance of RMB medium-term notes		**8,991**	—
Repayments of loans and borrowings		**(12,707)**	(10,924)
Interest paid		**(1,134)**	(956)
Dividends paid to equity shareholders		**(1,156)**	(1,540)
Dividends paid by subsidiaries to non-controlling interests		**(18)**	(42)
Contribution from non-controlling interests		**2**	2
Payment for acquisition of non-controlling interests		**(44)**	(1,469)
Net cash generated from/(used in) financing activities		**8,230**	(2,754)
Net decrease in cash and cash equivalents		**(2,072)**	(3,403)
Cash and cash equivalents at beginning of year		**16,657**	20,084
Effect of foreign exchange rate changes		**(102)**	(24)
Cash and cash equivalents at end of year	20	**14,483**	16,657

The notes on pages 96 to 188 form part of these financial statements.

1 Principal activities of reporting entity, organisation and basis of preparation

(a) Principal activities of reporting entity

Zoomlion Heavy Industry Science and Technology Co., Ltd. (the "Company") and its subsidiaries (collectively, referred to as the "Group") are principally engaged in the research, development, manufacturing and sale and leasing of concrete machinery, crane machinery, environmental and sanitation equipment, road construction and pile foundation machinery and other related heavy machinery and capital equipment.

(b) Organisation

The Company was incorporated in the PRC on 31 August 1999 by six founding shareholders with registered and issued share capital of 100 million ordinary shares with a par value of RMB1 per share. Upon the Company's incorporation, Construction Machinery Research Institute of Changsha, the Ministry of Construction ("Research Institute"), a state-owned entity, held 74.7% equity interest in the Company and the other five founding shareholders held 25.3% equity interest in the Company in aggregate. These founding shareholders are hereinafter referred to as the non-public shareholders.

On 12 October 2000, the Company completed an initial public offering of 50 million newly issued A Shares with a par value of RMB1 per share to public shareholders in the Shenzhen Stock Exchange of China ("SZSE"). Upon the initial public offering, the public shareholders owned 33.3% of the equity interest in the Company. The equity interest of Research Institute and the other five non-public shareholders in the Company was then reduced to 49.8% and 16.9%, respectively.

During the years from 2001 to 2009, the Company completed several stock splits in the form of bonus shares to achieve wider distribution and improve marketability of the ordinary shares. As a result, the Company's share capital increased from RMB150 million to RMB1,673 million.

In July 2006, the public shareholders accepted the share reform proposal offered by the non-public shareholders whereby the non-public shareholders transferred a total of 54 million A Shares to the public shareholders, in exchange for the approval for the listing of all shares held by the non-public shareholders. After the share transfer, the equity interest in the Company held by Research Institute and the other five non-public shareholders was reduced from 49.8% and 16.9% to 41.9% and 14.1%, respectively, while the public shareholders' equity interest in the Company was increased from 33.3% to 44.0%.

1 Principal activities of reporting entity, organisation and basis of preparation (continued)

(b) Organisation (continued)

In December 2008, Research Institute was deregistered and the 41.9% equity interest of the Company held by Research Institute was transferred to Research Institute's shareholders, consisting of 25.0% equity interest transferred to Hunan State-owned Assets Supervision and Administration Commission of the People's Government of Hunan Province ("Hunan SASAC"), and 16.9% equity interest transferred to the four other shareholders of Research Institute.

In February 2010, the Company completed a Non-public Offering of 297,954,705 A Shares to nine institutional investors. In August 2010, the Company further conducted a stock split in the form of bonus shares. Following the stock split, the Company's share capital was increased to approximately RMB4,928 million comprising 4,927,636,762 A Shares, among which Hunan SASAC held 21.4% equity interest.

On 23 December 2010, the Company completed a Global Offering of 869,582,800 newly issued H Shares with a par value of RMB1 per share to institutional and public shareholders in The Stock Exchange of Hong Kong Limited. In this connection, Hunan SASAC and Hunan Development Group, the Company's state-owned shareholders, transferred a total of 86,958,280 A Shares to the National Council for Social Security Fund of the PRC ("NSSF"), which were converted into H Shares on a one-for-one basis. Upon the completion of the Global Offering, the share capital of the Company was increased to approximately RMB5,797 million, comprising 4,840,678,482 A Shares and 956,541,080 H Shares. After the Global Offering, Hunan SASAC held 16.77% equity interest in the Company.

On 5 January 2011, the underwriters of the Global Offering exercised the over-allotment option in full. As a result, 130,437,400 H Shares with a par value of RMB1 per share were additionally issued by the Company. In this connection, Hunan SASAC and Hunan Development Group transferred a total of additional 13,043,740 A Shares to the NSSF, which were converted into H Shares on a one-for-one basis. Upon completion of the issuance of new H Shares and conversion of A Shares into H Shares, the share capital of the Company was increased to approximately RMB5,928 million, comprising 4,827,634,742 A Shares and 1,100,022,220 H Shares.

On 3 June 2011, the Company further conducted a stock split in the form of bonus shares. Following the stock split, the Company's share capital was increased to approximately RMB7,706 million, comprising 6,275,925,164 A Shares and 1,430,028,886 H Shares, among which Hunan SASAC held 16.19% equity interest.

1 Principal activities of reporting entity, organisation and basis of preparation (continued)

(c) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). IFRSs include all individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group are set out in Note 2.

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

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

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

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

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

1 Principal activities of reporting entity, organisation and basis of preparation (continued)

(c) Basis of preparation (continued)

(i) **Statement of compliance** (continued)

Amendments to IAS 32, Offsetting financial assets and financial liabilities

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

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

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on these financial statements, as the impairment of non-financial assets is not significant for the Group and the Company.

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

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements, as the Group has not novated any of its derivatives.

IFRIC 21, Levies

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

As set out in Note 34, the IASB has issued certain new and revised IFRSs that are not yet effective for the year ended 31 December 2014. The Group has not early adopted these IFRSs in preparing the financial statements for the year then ended.

1 Principal activities of reporting entity, organisation and basis of preparation (continued)

(c) Basis of preparation (continued)

(ii) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for the re-measurement of available-for-sale equity securities and derivative financial instruments (Note 2(h)) to fair value.

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and the major sources of estimation uncertainty are disclosed in Note 32.

2 Significant accounting policies

(a) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (Note 2(b)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (Note 2(i)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (Note 2(h)).

2 Significant accounting policies (continued)

(a) Business combinations (continued)

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(b) Subsidiaries and non-controlling interests

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

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

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

2 Significant accounting policies (continued)

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

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented financial liabilities in the consolidated balance sheet depending on the nature of the liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. (Note 2(c)).

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment losses (Note 2(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

The details of the Group's principal subsidiaries are set out in Note 33.

(c) Associates

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

2 Significant accounting policies (continued)

(c) Associates (continued)

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Notes 2(d) and 2(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees, any impairment losses for the year and the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

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

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

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(h)).

In the Company's balance sheet, investments in associates are stated at cost less impairment losses (Note 2(i)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2 Significant accounting policies (continued)

(d) Goodwill

Goodwill represents the excess of

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

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

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (Note 2(i)).

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

(e) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (Note 2(p)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (Note 2(i)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note 2(i)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

2 Significant accounting policies (continued)

(e) Intangible assets (other than goodwill) (continued)

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

— technical know how	14 to 15 years
— software, patents and similar rights	4 to 10 years
— customer relationships	12 to 15 years
— capitalised development costs	5 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

The Group's intangible asset that is determined to have an indefinite useful life consists of trademarks.

(f) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost, less accumulated depreciation and impairment losses (Note 2(i)). The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in profit or loss in the period in which it is incurred.

Construction in progress represents buildings and various machinery, plant and equipment under construction and pending installation, and is stated at cost less impairment losses (Note 2(i)). Cost comprises direct costs of construction as well as interest charges and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the periods of construction.

2 Significant accounting policies (continued)

(f) Property, plant and equipment (continued)

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

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

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

— buildings	25 to 35 years
— machinery, plant and equipment	6 to 10 years
— motor vehicles	10 years
— office equipment	5 years

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

(g) Lease prepayments

Lease prepayments represent cost paid to the relevant government authorities for land use rights. Land use rights are carried at cost less the accumulated amount charged to expense and impairment losses (Note 2(i)). The cost of lease prepayments is charged to profit or loss on a straight-line basis over the respective periods of the rights, which range from 40 to 70 years.

(h) Financial instruments

(i) Non-derivative financial instruments

The Group classifies non-derivative financial assets into the following categories: investments in available-for-sale securities, trade and other receivables, receivables under finance lease, cash and cash equivalents, loans and borrowings and trade and other payables.

2 Significant accounting policies (continued)

(h) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

The Group initially recognises loans and receivables issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial assets when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Investments in available-for-sale securities

Investments in available-for-sale securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in available-for sale securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the balance sheet at cost less impairment losses (Note 2(i)). Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss. When the investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2 Significant accounting policies (continued)

(h) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (Note 2(i)) except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment doubtful debts.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Interest-bearing borrowings

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

Trade and other payables

Trade and other payables are initially recognised at fair value, except for financial guarantee liabilities measured in accordance with note 2(m)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(ii) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

2 Significant accounting policies (continued)

(i) Impairment of assets

(i) Impairment of investments in equity securities, trade and other receivables and receivables under finance lease

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

— significant financial difficulty of the debtor;

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

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

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

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

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

— For investments in associates accounted for under the equity method in the consolidated financial statements (Note 2(c)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(i)(ii).

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

2 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(i) Impairment of investments in equity securities, trade and other receivables and receivables under finance lease (continued)

— For trade, bills and other receivables, receivables under finance lease and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at an initial recognition of these assets), where the effect of discounting is material. The Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant. The assessment is then made collectively for financial assets carried at amortised cost which are not individually significant but share similar credit risk characteristics, and have not been individually assessed as impaired. Future cash flows of financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective asset group, and ageing profile of the collective asset group.

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

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

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

2 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(i) Impairment of investments in equity securities, trade and other receivables and receivables under finance lease (continued)

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

(ii) Impairment of other assets

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

— property, plant and equipment;

— lease prepayments;

— intangible assets;

— goodwill; and

— investments in subsidiaries, associates in the Company's balance sheet

2 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

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

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

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

2 Significant accounting policies (continued)

(j) Inventories

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

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

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

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

(k) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Further information of the Group's retirement plans is set out in Note 24.

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(l) Income tax

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

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

2 Significant accounting policies (continued)

(l) Income tax (continued)

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

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

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

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

2 Significant accounting policies (continued)

(l) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(m) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

2 Significant accounting policies (continued)

(m) Financial guarantees issued, provisions and contingent liabilities (continued)

(i) Financial guarantees issued (continued)

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(m)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

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

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

2 Significant accounting policies (continued)

(n) Revenue recognition

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

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and is after deduction of any trade discounts.

(ii) Finance income under finance lease

Where the Group provides finance leasing of its machinery products to customers, the Group recognises profit or loss equivalent to the profit or loss resulting from an outright sale of the machinery products being leased at normal selling prices and finance income over the period of the lease. Finance income implicit in finance lease is recognised over the period of the lease so as to produce an approximately constant periodic rate of return on the outstanding net investment in the lease for each accounting period. Commission paid to dealers for acquisition of finance lease contract is included in the carrying value of the assets and amortised to the profit or loss over the expected life of the lease as an adjustment to finance income.

(iii) Government grants

Government grants are recognised in the balance sheet initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other revenues in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset consequently are effectively recognised as other revenues in profit or loss on a systematic basis over the useful life of the asset.

(o) Translation of foreign currencies

The presentation currency of the Group is Renminbi ("RMB"). The functional currency of the Company and its subsidiaries in the mainland PRC is RMB and the functional currency of the Company's subsidiaries in Europe is Euro ("EUR"). The functional currency of the Company's subsidiaries in the Hong Kong Special Administrative Region ("HKSAR") is United States Dollars ("USD") as the major operating and financing activities of these entities are transacted in USD.

2 Significant accounting policies (continued)

(o) Translation of foreign currencies (continued)

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss and are reported in net finance costs on a net basis.

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

The results of the Company's subsidiaries outside the mainland PRC are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation outside mainland PRC, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to the profit or loss when the profit or loss on disposal is recognised.

(p) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date. Finance income under finance lease is included in the Group's turnover (Note 2(n)(ii)). Interest expense relating to factoring of receivables under finance lease is considered to be direct cost of finance lease income and is therefore recorded in cost of services.

Finance costs comprise interest expense on loans and borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

2 Significant accounting policies (continued)

(p) Finance income and finance costs (continued)

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

(q) Leases

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

(i) Classification

Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Leases that do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases.

(ii) Finance lease (as lessor)

Where the Group provides finance leasing of its machinery products to customers, an amount representing the net investment in the lease is included in the balance sheet as receivables under finance lease. Finance income earned under finance lease is accounted for in accordance with accounting policy as set out in Note 2(n). Impairment losses of receivables under finance lease are accounted for in accordance with the accounting policy as set out in Note 2(i).

(iii) Operating lease (as lessee)

Where the Group has the use of assets held under operating lease, payments made under the lease are charged to profit or loss in equal instalments over the accounting periods covered by the lease term.

(r) Dividends

Dividends are recognised as a liability in the period in which they are declared.

2 Significant accounting policies (continued)

(s) Related parties

For the purposes of these financial statements, a related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

(t) Segment reporting

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

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

3 Turnover

The principal activities of the Group are research, development, manufacturing and sale and leasing of concrete machinery, crane machinery, environmental and sanitation machinery, road construction and pile foundation machinery and other related heavy machinery and capital equipment.

Turnover represents revenue from sales and lease of the Group's machinery products, net of value-added tax and is after deduction of any trade discounts.

The amounts of each significant category of revenue recognised in turnover are as follows:

	2014 RMB millions	2013 RMB millions
Sales of:		
Concrete machinery	**10,555**	17,191
Crane machinery	**7,423**	12,479
Environmental and sanitation machinery	**4,024**	3,282
Road construction and pile foundation machinery	**1,026**	1,731
Earth working machinery	**698**	772
Other machinery products	**1,195**	1,626
Finance income under finance lease	**930**	1,461
	25,851	38,542

4 Other revenues and net income/(loss)

	2014 RMB millions	2013 RMB millions
Government grants (Note (a))	**307**	111
Loss on disposal of property, plant and equipment and intangible assets	**(11)**	(22)
Cost of factoring trade receivables without recourse (Note (b))	**(138)**	(125)
Others	**6**	(13)
	164	(49)

Notes:

(a) Government grants mainly represent operating subsidies and other grants. There were no unfulfilled conditions and other contingencies attached to these grants.

(b) The Group factored trade receivables without recourse to banks and other financial institutions. Cost of factoring trade receivables without recourse represents the difference between the carrying amount of the receivables and the factoring proceeds.

5 Profit before taxation

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

(a) Net finance costs:

	2014 RMB millions	2013 RMB millions
Finance income:		
Interest income	**(720)**	(694)
Loss/(gain) on remeasurement of derivative financial instruments at fair value	**12**	(3)
	(708)	(697)
Finance costs:		
Interest on loans and borrowings	**1,260**	970
Net exchange loss/(gain)	**140**	(468)
	1,400	502
	692	(195)

(b) Staff costs:

	2014 RMB millions	2013 RMB millions
Salaries, wages and other benefits	**2,706**	3,029
Contributions to retirement schemes (Note 24)	**263**	265
	2,969	3,294

5 Profit before taxation (continued)

(c) Other items:

	2014 RMB millions	2013 RMB millions
Cost of inventories sold	18,640	27,295
Depreciation of property, plant and equipment (Note 12)	512	459
Amortisation of lease prepayments	38	29
Amortisation of intangible assets (Note 13)	96	74
Operating lease charges	202	230
Auditors' remuneration:		
— audit services	12	14
— non-audit services	—	1
Product warranty costs (Note 22(b))	95	156
Impairment losses/(reversal):		
— trade receivables (Note 17(c))	450	591
— receivables under finance lease (Note 18(c))	(62)	432
— inventories	172	(49)
— property, plant and equipment (Note 12)	—	12
— goodwill (Note 14)	—	25

6 Income tax

Income tax in the consolidated statements of comprehensive income represents:

	2014 RMB millions	2013 RMB millions
Current tax – PRC income tax		
Provision for the year	221	729
Current tax — Income tax in other tax jurisdictions		
Provision for the year	4	4
Deferred taxation (Note 23(b))		
Origination and reversal of temporary differences	(78)	(193)
Change in recognised deductible temporary differences	88	30
	235	570

6 Income tax (continued)

Reconciliation between actual income tax expense and notional tax on profit before taxation is as follows:

	2014 RMB millions	2013 RMB millions
Profit before taxation	**863**	4,527
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (Note (a))	**216**	1,132
Tax effect of non-deductible expenses	**133**	117
Change in recognised deductible temporary differences	**88**	30
Current year loss for which no deferred tax assets was recognised	**51**	10
Tax effect of non-taxable income	**(30)**	(26)
Tax effect of tax concessions (Note (b))	**(112)**	(524)
Additional deduction for qualified research and development expenses (Note (c))	**(111)**	(169)
Actual income tax expense	**235**	570

Notes:

(a) The PRC statutory income tax rate is 25% (2013: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2013: 16.5%).

The Company's overseas subsidiaries are subject to income tax at rates ranging from 19.0% to 31.4% (2013: 27.5% to 31.4%).

(b) According to the income tax law and its relevant regulations, entities that qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15%. The Company and certain of its subsidiaries obtained or renewed its status as high-technology enterprises in 2014 and accordingly are subject to income tax at 15% for the years from 2014 to 2016. Besides, a subsidiary of the Company was qualified as software developer and is entitled to income tax exemption for the years from 2013 to 2014 and a 12.5% preferential tax rate for the years from 2015 to 2017.

(c) Under the income tax law and its relevant regulations, a 50% additional tax deduction is allowed for qualified research and development expenses.

7 Directors' and supervisors' remuneration

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

	Directors'/ supervisors' fee RMB thousands	Salaries, allowances and other benefits RMB thousands	Discretionary bonuses RMB thousands	Retirement scheme contributions RMB thousands	Total RMB thousands
For the year ended 31 December 2014					
Executive directors					
ZHAN Chunxin	–	1,002	1,002	16	2,020
LIU Quan	–	592	592	16	1,200
Non-executive director					
QIU Zhongwei	–	–	–	–	–
Independent non-executive directors					
QIAN Shizheng	120	–	–	–	120
LIAN Weizeng*	90	–	–	–	90
WANG Zhile	120	–	–	–	120
LIU Changkun*	–	–	–	–	–
Supervisors					
CAO Yonggang	–	–	–	–	–
LUO Anping	–	367	367	16	750
LIU Chi	–	480	479	16	975
Total	330	2,441	2,440	64	5,275

7 Directors' and supervisors' remuneration (continued)

	Directors'/ supervisors' fee RMB thousands	Salaries, allowances and other benefits RMB thousands	Discretionary bonuses RMB thousands	Retirement scheme contributions RMB thousands	Total RMB thousands
For the year ended 31 December 2013					
Executive directors					
ZHAN Chunxin	–	1,342	1,342	16	2,700
LIU Quan	–	792	792	16	1,600
Non-executive director					
QIU Zhongwei	–	–	–	–	–
Independent non-executive directors					
QIAN Shizheng	120	–	–	–	120
LIAN Weizeng	120	–	–	–	120
WANG Zhile	120	–	–	–	120
LIU Changkun	–	–	–	–	–
Supervisors					
CAO Yonggang	–	–	–	–	–
LUO Anping	–	542	542	16	1,100
LIU Chi	–	642	642	16	1,300
Total	360	3,318	3,318	64	7,060

* Mr. LIAN Weizeng and Mr. LIU Changkun retired as independent non-executive directors of the Company on 4 July 2014.

None of these directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the year (2013: Nil).

8 Individuals with highest emoluments

Of the five highest paid individuals of the Group, two (2013: two) individuals were directors or supervisors of the Company, whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the remaining three (2013: three) individuals are as follows:

	2014 RMB thousands	2013 RMB thousands
Salaries, allowances and other benefits in kind	**4,012**	5,152
Retirement scheme contributions	**48**	48
	4,060	5,200

The emoluments of the non-director/supervisor employees among the five highest paid individuals are within the following bands:

	2014 Number	2013 Number
RMB1,000,001—RMB1,500,000	**3**	—
RMB1,500,001—RMB2,000,000	**—**	3

None of these employees received any inducements or compensation for loss of office, or waived any emoluments during the year (2013: Nil).

9 Profit attributable to equity holders of the Company

The consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2014 included a profit of RMB51 million (2013: RMB2,908 million) recorded in the stand-alone financial statements of the Company.

10 Basic and diluted earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB594 million (2013: RMB3,844 million), and the weighted average number of shares of 7,706 million in issue during the year (2013: 7,706 million shares).

There were no dilutive potential ordinary shares in issue as at 31 December 2014 (31 December 2013: Nil).

11 Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Concrete machinery segment: this segment primarily researches, develops, manufactures and sells various concrete machineries, including truck-mounted concrete pumps, trailer-mounted concrete pumps, dry mortar products, concrete placing booms, concrete mixing plants, truck-mounted concrete mixers, truck-mounted line concrete pumps and self-propelled boom concrete pumps.

(ii) Crane machinery segment: this segment primarily researches, develops, manufactures and sells a variety of cranes, including truck cranes, all-terrain truck cranes, crawler cranes and various types of tower cranes.

(iii) Environmental and sanitation machinery segment: this segment primarily researches, develops, manufactures and sells a wide range of environmental and sanitation machineries, including road sweepers, washing vehicles and waste treatment equipment.

(iv) Road construction and pile foundation machinery segment: this segment primarily researches, develops, manufactures and sells different types of road construction and pile foundation machineries, including road surface heaters, motor graders, road rollers, pavers, road surface cold planners, asphalt mixing equipment and rotary drilling rigs.

(v) Earth working machinery segment: this segment primarily researches, develops, manufactures and sells a variety of earth working machineries, including loaders, bulldozers and excavators.

(vi) Finance lease segment: this segment primarily provides finance lease services to customers for purchasing machinery products of the Group and from other vendors.

Other operating segments of the Group include research, development, manufacturing and sale of other machinery products, including material handling machinery and systems segment, specialised vehicles and vehicle axles. None of these segments met any of the quantitative thresholds for determining reportable segments for the years ended 31 December 2014 and 2013.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following basis:

The measure used for reporting segment profit is turnover less cost of sales and services.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

11 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2014 is set out below:

	2014 RMB millions	2013 RMB millions
Reportable segment revenue:		
Concrete machinery	**10,555**	17,191
Crane machinery	**7,423**	12,479
Environmental and sanitation machinery	**4,024**	3,282
Road construction and pile foundation machinery	**1,026**	1,731
Earth working machinery	**698**	772
Finance lease services	**930**	1,461
Total reportable segment revenue	**24,656**	36,916
Revenue from all other segments	**1,195**	1,626
Total	**25,851**	38,542
Reportable segment profit:		
Concrete machinery	**2,368**	4,568
Crane machinery	**2,063**	3,361
Environmental and sanitation machinery	**1,200**	947
Road construction and pile foundation machinery	**325**	562
Earth working machinery	**43**	14
Finance lease services	**928**	1,456
Total reportable segment profit	**6,927**	10,908
Profit from all other segments	**282**	334
Total	**7,209**	11,242

11 Segment reporting (continued)

(b) Reconciliation of segment profit

	2014 RMB millions	2013 RMB millions
Total segment profit	**7,209**	11,242
Other revenues and net income/(loss)	**164**	(49)
Sales and marketing expenses	**(3,036)**	(3,631)
General and administrative expenses	**(2,347)**	(2,701)
Research and development expenses	**(443)**	(570)
Net finance costs	**(692)**	195
Gain on disposal of associates	**7**	—
Share of profits less losses of associates	**1**	41
Consolidated profit before taxation	**863**	4,527

(c) Geographic information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, and lease prepayments ("specified non-current assets"). The geographical location of revenue is based on the selling location. The geographical location of specified non-current assets is based on the physical location of the asset. No geographic information is presented for trademarks, technical know-how and goodwill as these assets are commonly used by the Group both in and outside PRC. All other non-current assets are physically located in the PRC, except for customer relationships acquired through business combination of CIFA and m-tec, which are determined to be outside PRC.

	2014 RMB millions	2013 RMB millions
Revenue from external customers		
— Mainland PRC	**22,956**	35,755
— Outside PRC	**2,895**	2,787
Total	**25,851**	38,542

11 Segment reporting (continued)

(c) Geographic information (continued)

	2014 RMB millions	2013 RMB millions
Specified non-current assets		
— Mainland PRC	**8,470**	8,255
— Outside PRC	**271**	202
Total	**8,741**	8,457

12 Property, plant and equipment

The Group

	Buildings RMB millions	Machinery, plant and equipment RMB millions	Motor vehicles and office equipment RMB millions	Construction in progress RMB millions	Total RMB millions
Cost:					
Balance at 1 January 2013	3,058	2,210	777	1,542	7,587
Additions	115	164	91	927	1,297
Transferred from construction in progress	625	332	42	(999)	—
Disposals	(33)	(61)	(107)	—	(201)
Effect of exchange rate difference	—	4	1	—	5
Balance at 31 December 2013	3,765	2,649	804	1,470	8,688
Balance at 1 January 2014	**3,765**	**2,649**	**804**	**1,470**	**8,688**
Additions	**75**	**106**	**35**	**215**	**431**
Transferred from construction in progress	**675**	**258**	**38**	**(971)**	**—**
Disposals	**(23)**	**(44)**	**(60)**	**—**	**(127)**
Acquisition from business combination	**67**	**6**	**5**	**—**	**78**
Effect of exchange rate difference	**(21)**	**(41)**	**(8)**	**—**	**(70)**
Balance at 31 December 2014	**4,538**	**2,934**	**814**	**714**	**9,000**

12 Property, plant and equipment (continued)

The Group (continued)

	Buildings RMB millions	Machinery, plant and equipment RMB millions	Motor vehicles and office equipment RMB millions	Construction in progress RMB millions	Total RMB millions
Accumulated depreciation and impairment:					
Balance at 1 January 2013	(469)	(722)	(284)	–	(1,475)
Depreciation charge for the year	(118)	(236)	(105)	–	(459)
Impairment charge for the year	(3)	(8)	(1)	–	(12)
Written back on disposals	6	42	62	–	110
Effect of exchange rate difference	–	(4)	(1)	–	(5)
Balance at 31 December 2013	(584)	(928)	(329)	–	(1,841)
Balance at 1 January 2014	**(584)**	**(928)**	**(329)**	**–**	**(1,841)**
Depreciation charge for the year	**(143)**	**(260)**	**(109)**	**–**	**(512)**
Written back on disposals	**14**	**34**	**40**	**–**	**88**
Effect of exchange rate difference	**8**	**32**	**6**	**–**	**46**
Balance at 31 December 2014	**(705)**	**(1,122)**	**(392)**	**–**	**(2,219)**
Net book value:					
Balance at 31 December 2014	**3,833**	**1,812**	**422**	**714**	**6,781**
Balance at 31 December 2013	3,181	1,721	475	1,470	6,847

12 Property, plant and equipment (continued)

The Company

	Buildings RMB millions	Machinery, plant and equipment RMB millions	Motor vehicles and office equipment RMB millions	Construction in progress RMB millions	Total RMB millions
Cost:					
Balance at 1 January 2013	2,267	1,476	606	1,192	5,541
Additions	54	65	72	638	829
Transferred from construction in progress	558	174	38	(770)	—
Transferred from subsidiaries	4	36	14	191	245
Disposals	(28)	(16)	(60)	—	(104)
Transferred to subsidiaries	(166)	(108)	(35)	(202)	(511)
Balance at 31 December 2013	2,689	1,627	635	1,049	6,000
Balance at 1 January 2014	**2,689**	**1,627**	**635**	**1,049**	**6,000**
Additions	**48**	**47**	**18**	**217**	**330**
Transferred from construction in progress	**543**	**163**	**33**	**(739)**	**–**
Transferred from subsidiaries	**61**	**41**	**47**	**93**	**242**
Disposals	**(10)**	**(12)**	**(39)**	**–**	**(61)**
Transferred to subsidiaries	**(221)**	**(66)**	**(57)**	**(45)**	**(389)**
Balance at 31 December 2014	**3,110**	**1,800**	**637**	**575**	**6,122**

12 Property, plant and equipment (continued)

The Company (continued)

	Buildings RMB millions	Machinery, plant and equipment RMB millions	Motor vehicles and office equipment RMB millions	Construction in progress RMB millions	Total RMB millions
Accumulated depreciation and impairment:					
Balance at 1 January 2013	(317)	(495)	(220)	–	(1,032)
Depreciation charge for the year	(80)	(149)	(79)	–	(308)
Transferred from subsidiaries	–	(12)	(6)	–	(18)
Written back on disposals	5	8	34	–	47
Transferred to subsidiaries	6	25	11	–	42
Balance at 31 December 2013	(386)	(623)	(260)	–	(1,269)
Balance at 1 January 2014	**(386)**	**(623)**	**(260)**	**–**	**(1,269)**
Depreciation charge for the year	**(95)**	**(147)**	**(85)**	**–**	**(327)**
Transferred from subsidiaries	**(24)**	**(21)**	**(22)**	**–**	**(67)**
Written back on disposals	**3**	**9**	**29**	**–**	**41**
Transferred to subsidiaries	**45**	**24**	**25**	**–**	**94**
Balance at 31 December 2014	**(457)**	**(758)**	**(313)**	**–**	**(1,528)**
Net book value:					
Balance at 31 December 2014	**2,653**	**1,042**	**324**	**575**	**4,594**
Balance at 31 December 2013	2,303	1,004	375	1,049	4,731

13 Intangible assets

The Group

	Note	Trademarks RMB millions	Technical know how RMB millions	Software, patents and similar rights RMB millions	Customer relationships RMB millions	Capitalised development costs RMB millions	Total RMB millions
Cost:							
Balance at 1 January 2013		776	132	247	357	71	1,583
Additions		–	9	68	–	17	94
Effect of exchange rate difference		9	1	1	4	1	16
Balance at 31 December 2013		785	142	316	361	89	1,693
Balance at 1 January 2014		**785**	**142**	**316**	**361**	**89**	**1,693**
Additions		**–**	**–**	**38**	**–**	**16**	**54**
Acquisition from business combination	14	**62**	**62**	**2**	**62**	**–**	**188**
Effect of exchange rate difference		**(85)**	**(11)**	**(6)**	**(41)**	**(12)**	**(155)**
Balance at 31 December 2014		**762**	**193**	**350**	**382**	**93**	**1,780**
Accumulated amortisation and impairment:							
Balance at 1 January 2013		(37)	(26)	(61)	(127)	(44)	(295)
Amortisation for the year		–	(8)	(23)	(29)	(14)	(74)
Effect of exchange rate difference		–	(1)	–	(2)	(1)	(4)
Balance at 31 December 2013		(37)	(35)	(84)	(158)	(59)	(373)
Balance at 1 January 2014		**(37)**	**(35)**	**(84)**	**(158)**	**(59)**	**(373)**
Amortisation for the year		**–**	**(11)**	**(37)**	**(32)**	**(16)**	**(96)**
Effect of exchange rate difference		**–**	**4**	**4**	**20**	**8**	**36**
Balance at 31 December 2014		**(37)**	**(42)**	**(117)**	**(170)**	**(67)**	**(433)**
Net book value:							
Balance at 31 December 2014		**725**	**151**	**233**	**212**	**26**	**1,347**
Balance at 31 December 2013		748	107	232	203	30	1,320

13 Intangible assets (continued)

The Company

	Trademarks RMB millions	Technical know how RMB millions	Software, patents and similar rights RMB millions	Total RMB millions
Cost:				
Balance at 1 January 2013	36	51	198	285
Additions	—	9	51	60
Balance at 31 December 2013	36	60	249	345
Balance at 1 January 2014	**36**	**60**	**249**	**345**
Additions	**—**	**—**	**24**	**24**
Balance at 31 December 2014	**36**	**60**	**273**	**369**
Accumulated amortisation and impairment:				
Balance at 1 January 2013	(36)	(1)	(39)	(76)
Amortisation for the year	—	(3)	(16)	(19)
Balance at 31 December 2013	(36)	(4)	(55)	(95)
Balance at 1 January 2014	**(36)**	**(4)**	**(55)**	**(95)**
Amortisation for the year	**—**	**(6)**	**(23)**	**(29)**
Balance at 31 December 2014	**(36)**	**(10)**	**(78)**	**(124)**
Net book value:				
Balance at 31 December 2014	**—**	**50**	**195**	**245**
Balance at 31 December 2013	—	56	194	250

14 Goodwill and business combination

	The Group	
	2014	2013
	RMB	RMB
	millions	millions
Balance at 1 January	**1,796**	1,803
Additions	**36**	—
Impairment loss	**—**	(25)
Effect of exchange rate difference	**(171)**	18
Balance at 31 December	**1,661**	1,796

The goodwill arose from the acquisition of the following entities:

		Carrying amount	
		2014	2013
	Date of	**RMB**	RMB
Name of entity	**acquisition**	**millions**	millions
Compagnia Italiana Forme Acciaio S.p.A ("CIFA")	September 2008	**1,455**	1,625
Shaanxi Zoomlion Earth Working Machinery Co., Ltd. (formerly "Shaanxi Xinhuanggong Machinery Co., Ltd.")	June 2008	**135**	135
Hunan Zoomlion Axle Co., Ltd.	June 2008	**12**	12
Zoomlion Material Handling Equipment Co., Ltd. (formerly "Huatai Machinery Manufacturing Co., Ltd.")	July 2008	**24**	24
m-tec mathis technik GmbH ("m-tec") (Note)	April 2014	**35**	—
		1,661	1,796

Note:

In April 2014, the Company completed the acquisitions of m-tec mathis technik GmbH and its subsidiaries (collectively "m-tec Group") with a cash consideration of EUR35 million (equivalent to RMB296 million). m-tec Group is engaged in the manufacturing of concrete machinery with its sales primarily in Europe and China. The purpose of the business combination was to broaden the Group's product line.

The acquisition was accounted for under the acquisition method. The Company allocated the purchase price to identifiable assets acquired and liabilities assumed based on their estimated fair values. Management determined the fair values of the identifiable assets acquired and liabilities assumed based on valuation performed by an independent appraiser.

The following table summarises the purchase price allocation of the fair value of the identifiable assets acquired and liabilities assumed in respect of the above acquisition to m-tec Group at the acquisition date.

14 Goodwill and business combination (continued)

Property, plant and equipment	76
Intangible assets	188
Inventories	64
Trade and other receivables	89
Cash and cash equivalents	57
Deferred tax assets	2
Total assets acquired	476
Short-term loans	(61)
Deferred tax liabilities	(57)
Trade and other payables	(98)
Total liabilities assumed	(216)
Net identifiable assets acquired	260
Cash consideration	296
Cash acquired	57
Net cash outflow	239
Goodwill	36

From the acquisition date of m-tec Group to 31 December 2014, m-tec Group contributed a total of RMB219 million to the consolidated turnover and a loss of RMB1 million to the consolidated profit of the Group of the year ended 31 December 2014.

Had the acquisition of m-tec Group occurred on 1 January 2014, management estimates that, on a pro forma basis, consolidated turnover of the Group for the year ended 31 December 2014 would have been RMB26,118 million and consolidated profit for the year ended 31 December 2014 would have been RMB627 million. In determining these figures it has been assumed that the fair value adjustments as at 1 January 2014 would have been the same as the fair value that arose at the date of acquisition of m-tec Group. The pro forma financial information has been prepared taking into account the impact of fair value adjustments on deferred taxes, depreciation and amortisation. The pro forma financial information does not purport to represent the actual results of the Group that would have been had the acquisition taken place on 1 January 2014 and should not be taken to be representative of future results.

14 Goodwill and business combination (continued)

Goodwill impairment test

The recoverable amount of the respective cash-generating units has been determined by a value-in-use calculation, which used cash flow projections based on financial budgets approved by management. The cash flow projections covered a period of five years and adopted pre-tax discount rates ranging from approximately 14.9% to 16.6% (2013: 15.0% to 22.0%). The discount rates were determined based on the applicable weighted average cost of capital of the acquirees, which reflects the time value of money and the specific risks relating to the respective acquirees' businesses. The cash flow projections have taken into account the historical financial performance, expected sales growth rates and profit margins of the respective acquirees, market conditions and other available information. The assumptions used are based on management's past experience of the specific market, having made reference to external sources of information. Cash flows beyond the five-year period are extrapolated using estimated growth rate of 3% (2013: 3%), which does not exceed the long-term average growth rate for the business in which the respective cash-generating units operate.

15 Interests in associates

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB millions	RMB millions	**RMB millions**	RMB millions
Unlisted share, at cost	**—**	—	**235**	132
Share of net assets	**228**	195	**—**	—
	228	195	**235**	132

15 Interests in associates (continued)

The following list contains particulars of the principal associates of the Group as at 31 December 2014:

Name of company	Particulars of issued and paid up capital (millions)	The Group's effective interest in the company	Principal activities
Bichamp Cutting Technology (Hunan) Co., Ltd.	RMB105	30%	Manufacture of metallic products and materials
Chongqing Zhonglian Shenghong Investment Management Co., Ltd.	RMB100	40%	Investment
Hubei Zhonglianzhongke Crane Machinery Co., Ltd.	RMB10	35%	Sales of crane machinery
Xinjiang Zhongcheng Zhonglian Engineering Machinery Co., Ltd.	RMB20	48%	Sales of crane machinery
Hunan Zhonglian Engineering Machinery Co., Ltd.	RMB20	49%	Sales of crane machinery
Jiangsu Hesheng Zhonglian Engineering Machinery Co., Ltd.	RMB20	49%	Sales of crane machinery
Shandong Yifang Zhonglian Engineering Machinery Co., Ltd.	RMB30	44%	Sales of crane machinery
Fujian Zhonglian Zhicheng Engineering Machinery Co., Ltd.	RMB15	47%	Sales of crane machinery
Gansu Zhonglian Dongsheng Engineering Machinery Co., Ltd.	RMB15	49%	Sales of crane machinery
Shaanxi Xiongtu Zhonglian Engineering Machinery Co., Ltd.	RMB18	40%	Sales of crane machinery
Hunan Zhonghan High Polymer Material Technology Co., Ltd.	RMB20	30%	Sales of construction machinery coating
Changsha Zhonglian Chuanyi Investment Co., Ltd.	RMB30	25%	Venture capital investment
Changsha Zhonglian Zhitong Trenchless Technology Co., Ltd.	RMB4	49%	Manufacture of trenchless machiney
Raxtar B.V.	EUR1	35%	Research and manufacture crane machinery
TOP Carbon S.r.l.	EUR4	49%	Manufacture of graphite components

15 Interests in associates (continued)

None of the above associates was individually and in aggregate material to the Group's and the Company's financial condition or results of operations for the reporting year. All of the above associates are accounted for using the equity method in the consolidated financial statements.

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

	2014 RMB millions	2013 RMB millions
Gross amounts of the associates		
Current assets	1,137	1,303
Non-current assets	507	549
Current liabilities	945	1,111
Non-current liabilities	106	104
Equity	593	637
Revenue	1,141	2,171
Profit	33	99
Total comprehensive income	33	99
Dividend received from the associates	16	13
Reconciled to the Group's interests in the associates		
Gross amounts of net assets of the associates	593	637
Group's effective interest	25%–49%	25%–49%
Group's share of net assets of the associates	228	195
Carrying amount in the consolidated financial statements	228	195

16 Inventories

	The Group		The Company	
	2014 RMB millions	2013 RMB millions	**2014 RMB millions**	2013 RMB millions
Raw materials	**2,435**	3,590	**1,648**	2,850
Work in progress	**1,125**	1,516	**634**	722
Finished goods (Including second-hand machinery)	**6,816**	3,641	**5,906**	2,699
	10,376	8,747	**8,188**	6,271

17 Trade and other receivables

	The Group		The Company	
	2014 RMB millions	2013 RMB millions	**2014 RMB millions**	2013 RMB millions
Trade receivables (Notes (a) and (b))	**31,574**	28,671	**25,401**	22,896
Less: provision for impairment (Note (c))	**(1,780)**	(1,451)	**(1,443)**	(1,199)
	29,794	27,220	**23,958**	21,697
Less: trade receivables due after one year	**(3,697)**	(3,610)	**(3,574)**	(3,584)
	26,097	23,610	**20,384**	18,113
Bills receivable (Note (d))	**1,816**	848	**1,579**	580
	27,913	24,458	**21,963**	18,693
Amounts due from related parties (Note 31(b))	**657**	604	**651**	570
Amounts due from subsidiaries	**—**	—	**10,094**	12,861
Prepayments for purchase of raw materials	**204**	251	**106**	116
Prepaid expenses	**413**	398	**317**	334
VAT recoverable	**580**	371	**200**	99
Deposits	**310**	125	**52**	117
Others	**562**	362	**388**	105
	30,639	26,569	**33,771**	32,895

17 Trade and other receivables (continued)

All of the trade and other receivables (including amounts due from subsidiaries), except those described below, are expected to be recovered or recognised as expense within one year.

(a) Trading terms and factoring of trade receivables

The Group generally allows certain customers with appropriate credit standing to make payments in instalments over a maximum period of 42 months ("instalment payment method"). Instalment payments with terms more than one year are discounted at a rate which approximates the debtor's borrowing rate in transactions with an independent lender under comparable terms and conditions. For the year ended 31 December 2014, the weighted average discount rate was approximately 6.00% (2013: 6.15%) per annum. As at 31 December 2014, trade receivables due after one year of RMB3,697 million (31 December 2013: RMB3,610 million) were presented net of unearned interest of RMB281 million (31 December 2013: RMB285 million).

During the year ended 31 December 2014, trade receivables of RMB5,197 million (2013: RMB2,021 million) were factored to banks and other financial institutions without recourse, and were therefore derecognised. Under the non-recourse factoring agreements, the Group has agreed to repurchase equipment at fair value from banks or other financial institutions to which the Group previously factored its receivables, upon repossession of the equipment under the relevant equipment sales contracts by such banks or financial institutions. During the year ended 31 December 2014, the Group did not have any repurchase of assets from banks and other financial institutions under such commitment (2013: Nil).

17 Trade and other receivables (continued)

(b) Ageing analysis of trade receivables

Ageing analysis based on billing date of trade receivables (net of provision for impairment) as at the balance sheet date is as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB millions	RMB millions	**RMB millions**	RMB millions
Within 1 month	**4,475**	5,091	**2,647**	3,804
Over 1 month but less than 3 months	**5,431**	5,599	**3,785**	4,591
Over 3 months but less than 1 year	**11,104**	11,392	**9,870**	8,757
Over 1 year but less than 2 years	**6,758**	4,648	**5,789**	4,180
Over 2 years but less than 3 years	**1,775**	379	**1,658**	303
Over 3 years but less than 5 years	**251**	111	**209**	62
	29,794	27,220	**23,958**	21,697

Trade receivables under credit sales arrangement are generally due within 1 to 3 months from the date of billing, and customers are normally required to make an upfront payment ranging from 20% to 30% of the product price (2013: 15% to 30%). For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 42 months (2013: 6 to 48 months), customers are normally required to make an upfront payment ranging from 15% to 30% of the product price (2013: 10% to 30%).

As part of the Group's ongoing control procedures, management monitors the creditworthiness of customers to which it grants credit in the normal course of business. Credit exposure limits are established to avoid concentration risk with respect to any single customer.

17 Trade and other receivables (continued)

(c) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (Note 2(i)).

The movement in the provision for impairment during the year, including both specific and collective loss components, is as follows:

		The Group		The Company	
	Note	**2014 RMB millions**	2013 RMB millions	**2014 RMB millions**	2013 RMB millions
Balance at 1 January		**1,451**	871	**1,199**	680
Impairment losses recognised		**450**	591	**328**	528
Reclassification from impairment of receivable under finance lease	18(c)	**15**	—	**14**	—
Uncollectible amounts written off		**(136)**	(11)	**(98)**	(9)
Balance at 31 December		**1,780**	1,451	**1,443**	1,199

17 Trade and other receivables (continued)

(d) Bills receivable represent short-term bank acceptance notes receivable that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 of 6 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable. The Group from time to time endorse bills receivable to suppliers in order to settle trade payables.

As at 31 December 2014, the Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the balance sheet date. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at 31 December 2014, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB300 million (31 December 2013: RMB765 million).

During the year ended 31 December 2014, bills receivable of RMB6,620 million (31 December 2013: RMB6,327) were discounted to banks, where substantially all the risks and rewards of ownership had been transferred. Since the Group does not have continuing involvement in the transferred assets, these discounted bills receivable were therefore derecognised.

18 Receivables under finance lease

	The Group	
	2014	2013
	RMB	RMB
	millions	millions
Gross investment	**17,876**	19,515
Unearned finance income	**(544)**	(1,149)
	17,332	18,366
Less: provision for impairment (Note (c))	**(654)**	(731)
	16,678	17,635
Less: receivables under finance lease due after one year	**(4,476)**	(7,407)
Receivables under finance lease due within one year	**12,202**	10,228

The Group provides equipment finance lease services to customers purchasing machinery products of the Group or other vendors through its leasing subsidiaries. Under the finance lease arrangement, the collectability of the minimum lease payments is reasonably predictable, there is no significant uncertainty surrounding the amount of un-reimbursable cost yet to be incurred by the Group under the lease arrangement. The finance lease contracts entered into by the Group typically are for a period ranging from 2 to 5 years (2013: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 25% of the product price (2013: 5% to 25%) and pay a security deposit ranging from 1% to 10% of the product price (2013: 1% to 10%). At the end of the lease term, the lessee has an option to purchase the leased machinery at nominal value and the ownership of the leased machinery is then transferred to the lessee. The leases do not provide any guarantee of residual values.

During the year ended 31 December 2014, no receivables under finance lease were factored to banks (2013: RMB6,759 million without recourse and were derecognised). Under the non-recourse factoring agreements, the Group has agreed to repurchase equipment at fair market value from banks to which the Group previously factored its receivables, upon repossession of the equipment under the relevant finance lease contracts by such banks. During the year ended 31 December 2014, the Group made payments of RMB2,509 million (2013: RMB673 million) to banks to repurchase the repossessed equipment and/or related beneficial rights to the outstanding debt balance due from customers. As a result, the Group recorded RMB995 million as inventories for the repossessed equipment and recorded the remaining RMB1,514 million as receivables. During the year ended 31 December 2014, the Group renegotiated the terms of settlement with certain customers and changed the collateral requirements on these customers. The relevant finance lease arrangements were terminated, taking into consideration of the manner of repayment and collateral pledged with the Group. Accordingly, RMB2,077 million were reclassified from receivables under finance lease to trade receivables during the year ended 31 December 2014.

18 Receivables under finance lease (continued)

(a) Ageing analysis of receivables under finance lease

The minimum lease payments receivable as at the balance sheet date are as follows:

	The Group	
	2014	2013
	RMB	RMB
	millions	millions
Present value of the minimum lease payments		
Within 1 year	**12,670**	10,643
Over 1 year but less than 2 years	**2,775**	3,726
Over 2 years but less than 3 years	**1,313**	2,504
Over 3 years	**574**	1,493
	17,332	18,366
Unearned finance income		
Within 1 year	**405**	751
Over 1 year but less than 2 years	**84**	230
Over 2 years but less than 3 years	**34**	109
Over 3 years	**21**	59
	544	1,149
Gross investment		
Within 1 year	**13,075**	11,394
Over 1 year but less than 2 years	**2,859**	3,956
Over 2 years but less than 3 years	**1,347**	2,613
Over 3 years	**595**	1,552
	17,876	19,515

18 Receivables under finance lease (continued)

(b) Overdue analysis

Overdue analysis of receivables under finance lease as at the balance sheet date is as follows:

	The Group	
	2014	2013
	RMB	RMB
	millions	millions
Not yet due	**12,214**	13,741
Less than 1 month past due	**415**	461
1 to 3 months past due	**747**	749
3 to 12 months past due	**2,443**	2,126
12 to 24 months past due	**1,310**	1,186
More than 24 months past due	**203**	103
Total past due	**5,118**	4,625
	17,332	18,366
Less: provision for impairment	**(654)**	(731)
	16,678	17,635

Past due receivables refer to the amount remains unpaid after the relevant payment due date, including those receivables that are overdue for only one day.

18 Receivables under finance lease (continued)

(c) Impairment of receivables under finance lease

Impairment losses in respect of receivables under finance lease are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against the receivables directly (Note 2(i)).

The movement in the provision for impairment during the year, is as follows:

		The Group	
	Note	**2014 RMB millions**	2013 RMB millions
Balance at 1 January		**731**	299
Impairment losses (reversed)/recognised		**(62)**	432
Reclassification to impairment of trade receivables	17(c)	**(15)**	—
Balance at 31 December		**654**	731

(d) The Group monitors the credit risk arising from finance lease arrangement through various control measures as set out in Note 28(b)(ii). Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, finance income under finance lease is recognised in accordance with the accounting policies as set out in Note 2(n)(ii).

19 Pledged bank deposits

The pledged bank deposits primarily represent cash maintained at banks as security for guarantees of payment relating to the issuance of bills payable to certain vendors of the Group, for guarantees given by the Group to banks in respect of loans provided by such banks to certain customers for purchase of the Group's products (Note 30(a)) and for receivables that have been factored to banks. Upon maturity of the bills payable, which generally range from 3 to 6 months, or upon full repayment of the customers' loans or receivables, the restriction on the bank deposits is released.

20 Cash and cash equivalents

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB	RMB	**RMB**	RMB
	millions	millions	**millions**	millions
Cash at bank and on hand				
— RMB denominated	**12,784**	15,310	**10,862**	11,523
— USD denominated	**726**	617	**360**	297
— EUR denominated	**875**	587	**12**	2
— HKD denominated	**23**	27	**—**	—
— Other currencies	**75**	116	**—**	—
	14,483	16,657	**11,234**	11,822

21 Loans and borrowings

(a) Short-term loans and borrowings:

		The Group		The Company	
		2014	2013	**2014**	2013
		RMB	RMB	**RMB**	RMB
	Note	**millions**	millions	**millions**	millions
Secured short-term bank loans					
— RMB denominated		**—**	832	**—**	832
Unsecured short-term bank loans					
— RMB denominated		**800**	10	**800**	10
— JPY denominated		**—**	5	**—**	5
— EUR denominated		**134**	96	**8**	8
— USD denominated		**2,930**	5,097	**5**	2,094
Add: current portion of long-term loans and borrowings	21(b)	**1,823**	2,357	**1,823**	1,422
		5,687	8,397	**2,636**	4,371

21 Loans and borrowings (continued)

(b) Long-term loans and borrowings:

	Note	The Group 2014 RMB millions	The Group 2013 RMB millions	The Company 2014 RMB millions	The Company 2013 RMB millions
Unsecured long-term bank loans					
— RMB denominated	(i)	**2,835**	1,282	**2,834**	1,282
— EUR denominated	(ii)	**1,737**	1,687	**244**	—
— USD denominated	(iii)	**7,038**	5,029	**5,257**	4,094
Unsecured bond	(iv)	**1,098**	1,096	**1,098**	1,096
RMB medium-term notes	(v)	**8,991**	—	**8,991**	—
Guaranteed USD senior notes	(vi)	**6,049**	6,013	**—**	—
		27,748	15,107	**18,424**	6,472
Less: current portion of long-term loans and borrowings	21(a)	**(1,823)**	(2,357)	**(1,823)**	(1,422)
		25,925	12,750	**16,601**	5,050

Notes:

(i) As at 31 December 2014, RMB denominated unsecured long-term bank loan of RMB457 million (31 December 2013: Nil) bore interest at 6.15% per annum and will be repayable by half-yearly instalments through 2016. Such loan was subject to the fulfilment of certain annual financial covenants of the Group. As at 31 December 2014, the Group was in compliance with these financial covenants.

As at 31 December 2014, RMB denominated unsecured long-term bank loan of RMB524 million (31 December 2013: RMB1,182 million) bore interest at 4.20% to 4.93% per annum and will be repayable by half-yearly instalments through 2015.

As at 31 December 2014, RMB denominated unsecured long-term bank loan of RMB700 million (31 December 2013: Nil) bore interest at 6.15% per annum and will be repayable by half-yearly instalments through 2016.

As at 31 December 2014, RMB denominated unsecured long-term bank loan of RMB498 million (31 December 2013: RMB100 million) bore interest at 4.93% per annum and will be repayable by half-yearly instalments through 2016.

As at 31 December 2014, RMB denominated unsecured long-term bank loan of RMB156 million (31 December 2013: Nil) bore interest at 6.15% per annum and will be repayable by half-yearly instalments through 2017.

As at 31 December 2014, RMB denominated unsecured long-term bank loan of RMB500 million (31 December 2013: Nil) bore interest at 6.15% per annum and will be repayable in full in 2017.

21 Loans and borrowings (continued)

(b) Long-term loans and borrowings: (continued)

(ii) As at 31 December 2014, EUR denominated unsecured long-term bank loans of RMB1,491 million (31 December 2013: RMB1,684 million) bore interest ranging from 1.68% to 1.98% per annum and will be repayable in full in June 2016.

As at 31 December 2014, EUR denominated unsecured long-term bank loans of RMB244 million (31 December 2013: Nil) bore interest at 4.27% per annum and will be repayable by half-yearly instalments through 2022.

The remaining EUR denominated unsecured long-term bank loans of RMB2 million (31 December 2013: RMB3 million) will be repayable by quarterly instalments through 2017.

(iii) As at 31 December 2014, USD denominated unsecured long-term bank loan of RMB1,652 million (31 December 2013: RMB1,707 million) bore interest at 2.33% per annum and will be repayable by half-yearly instalments through 2016. Such loan was subject to the fulfilment of certain annual financial covenants of the Group. As at 31 December 2014, the Group was in compliance with these financial covenants.

As at 31 December 2014, USD denominated unsecured long-term bank loan of RMB263 million (31 December 2013: RMB274 million) bore interest at 3.00% per annum and will be repayable by half-yearly instalments through 2015. Such loan was subject to the fulfilment of certain annual financial covenants of the Group. As at 31 December 2014, the Group was in compliance with these financial covenants.

As at 31 December 2014, USD denominated unsecured long-term bank loan of RMB184 million (31 December 2013: RMB183 million) bore interest at 2.90% per annum and will be fully repayable in 2015. Such loan was subject to the fulfilment of certain annual financial covenants of the Group. As at 31 December 2014, the Group was in compliance with these financial covenants.

As at 31 December 2014, USD denominated unsecured long-term bank loan of RMB2,203 million (31 December 2013: Nil) bore interest at 3.23% per annum and will be fully repayable in 2017. Such loan was subject to the fulfilment of certain annual financial covenants of the Group. As at 31 December 2014, the Group was in compliance with these financial covenants.

As at 31 December 2014, USD denominated unsecured long-term bank loan of RMB367 million (31 December 2013: Nil) bore interest at 2.80% per annum and will be fully repayable in 2017. Such loan was subject to the fulfilment of certain annual financial covenants of the Group. As at 31 December 2014, the Group was in compliance with these financial covenants.

The remaining USD denominated unsecured long-term bank loans of RMB2,369 million (31 December 2013: RMB1,932 million) bore interest ranging from 1.47% to 3.23% per annum and had maturities ranging from 1 month to 32 months from the balance sheet date.

21 Loans and borrowings (continued)

(b) Long-term loans and borrowings: (continued)

(iv) In April 2008, the Company issued bonds with principal amount of RMB1,100 million to public and institutional investors. The bonds bore interest at a fixed rate of 6.5% per annum and will mature in April 2016.

(v) In October 2014, the Company issued 5-year RMB medium-term notes with principal amount of RMB9,000 million. The notes bore interest at a fixed rate of 5.8% per annum and will mature in October 2019. Interest on the notes will be payable yearly in arrears in October of each year, beginning from October 2015.

(vi) In April 2012, Zoomlion H.K. SPV Co., Limited, a wholly-owned subsidiary of the Company issued 5-year senior notes with principal amount of USD400 million (RMB equivalent 2,521 million). The senior notes were guaranteed by the Company, bear interest at a fixed rate of 6.875% per annum and will mature in April 2017. Interest on the notes will be payable half-yearly in arrears in April and October of each year, beginning from October 2012.

In December 2012, Zoomlion H.K. SPV Co., Limited issued 10-year senior notes with principal amount of USD600 million (RMB equivalent 3,773 million). The senior notes were guaranteed by the Company, bear interest at a fixed rate of 6.125% per annum and will mature in December 2022. Interest on the notes will be payable half-yearly in arrears in June and December of each year, beginning from June 2013.

(c) Except as disclosed in Notes 21(b)(i) and 21(b)(iii) above, none of the Group's loans and borrowings contains any financial covenants.

22 Trade and other payables

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB	RMB	**RMB**	RMB
	millions	millions	**millions**	millions
Trade creditors	**7,319**	8,629	**4,549**	5,764
Bills payable	**6,141**	7,027	**5,892**	6,818
Trade creditors and bills payable (Note (a))	**13,460**	15,656	**10,441**	12,582
Amounts due to related parties (Note 31(b))	**32**	27	**8**	14
Amounts due to subsidiaries	**—**	—	**7,189**	6,478
Receipts in advance	**983**	1,066	**698**	829
Payable for acquisition of property, plant and equipment	**536**	750	**487**	626
Accrued staff costs	**515**	676	**322**	433
VAT payable	**143**	616	**48**	503
Security deposits (Note 25)	**880**	1,091	**186**	150
Product warranty provision (Note (b))	**93**	116	**55**	86
Sundry taxes payable	**263**	303	**238**	250
Payables for factoring discount (Note (c))	**78**	478	**—**	—
Cash collected on behalf of banks (Note (d))	**703**	1,550	**701**	1,434
Other accrued expenses and payables	**1,808**	1,562	**1,062**	1,046
	19,494	23,891	**21,435**	24,431

22 Trade and other payables (continued)

Notes:

(a) Ageing analysis of trade creditors and bills payable as at the balance sheet date is as follows:

	The Group		The Company	
	2014 RMB millions	2013 RMB millions	**2014 RMB millions**	2013 RMB millions
Due within 1 month or on demand	**5,490**	6,091	**3,671**	4,242
Due after 1 month but within 3 months	**3,404**	4,760	**2,965**	4,254
Due after 3 months but within 6 months	**3,915**	4,020	**3,582**	3,578
Due after 6 months but less than 12 months	**651**	785	**223**	508
	13,460	15,656	**10,441**	12,582

(b) Product warranty provision

	The Group RMB millions	The Company RMB millions
Balance at 1 January 2013	93	66
Provision for the year	156	130
Utilisation during the year	(133)	(110)
Balance at 31 December 2013	116	86
Balance at 1 January 2014	**116**	**86**
Provision for the year	**95**	**92**
Utilisation during the year	**(118)**	**(123)**
Balance at 31 December 2014	**93**	**55**

A provision for warranties is recognised when the underlying products are sold. Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within predominantly 3 to 24 months from the date of sale. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience, historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(c) According to the arrangement with banks, the discount on factoring of the Group's trade receivables without recourse (Note 17) will be paid to the banks within 1 year, and the discount on factoring of the Group's receivables under finance lease without recourse (Note 18) will be paid by instalments over periods ranging from 1 to 5 years. The amounts expected to be paid after one year are recorded under the caption "Other non-current liabilities".

(d) Under the non-recourse factoring arrangements, the Group collects payments from customers on behalf of the banks to which the Group factored its receivables. The amounts are expected to be paid to the banks within one year.

23 Income tax in the balance sheets

(a) Income tax payable in the balance sheets represents:

	The Group		The Company	
	2014 RMB millions	2013 RMB millions	**2014 RMB millions**	2013 RMB millions
Provision for PRC income tax	**26**	433	**–**	404
Provision for income tax in other tax jurisdictions	**4**	4	**–**	–
	30	437	**–**	404

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheets and the movements during the year are presented as follows:

The Group

Year ended 31 December 2014

	Balance at 1 January 2014 RMB millions	**Acquisition from business combination RMB millions**	**Credited/ (charged) to profit or loss RMB millions**	**Effect of exchange rate RMB millions**	**Balance at 31 December 2014 RMB millions**
Deferred tax assets arising from:					
Receivables	405	1	32	(2)	436
Inventories	32	–	2	–	34
Accrued expenses	64	–	(22)	(2)	40
Tax losses	109	–	(14)	(11)	84
Others	34	1	(9)	(2)	24
Total	644	2	(11)	(17)	618
Deferred tax liabilities arising from:					
Property, plant and equipment	(5)	(9)	–	–	(14)
Intangible assets	(327)	(48)	14	37	(324)
Lease prepayments	(33)	–	4	–	(29)
Others	(103)	–	(17)	12	(108)
Total	(468)	(57)	1	49	(475)

23 Income tax in the balance sheets (continued)

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

Year ended 31 December 2013

	Balance at 1 January 2013 RMB millions	Acquisition from business combination RMB millions	Credited/ (charged) to profit or loss RMB millions	Effect of exchange rate RMB millions	Balance at 31 December 2013 RMB millions
Deferred tax assets arising from:					
Receivables	213	–	192	–	405
Inventories	43	–	(11)	–	32
Accrued expenses	54	–	10	–	64
Tax losses	74	–	34	1	109
Others	72	–	(39)	1	34
Total	456	–	186	2	644
Deferred tax liabilities arising from:					
Property, plant and equipment	(8)	–	3	–	(5)
Intangible assets	(338)	–	15	(4)	(327)
Lease prepayments	(33)	–	–	–	(33)
Others	(61)	–	(41)	(1)	(103)
Total	(440)	–	(23)	(5)	(468)

As at 31 December 2014, RMB231 million (31 December 2013: RMB124 million) of deferred tax assets in respect of asset impairment losses and tax losses were not recognised by certain subsidiaries of the Company, as it is not probable that sufficient future taxable profits will be available to utilise such tax benefits.

23 Income tax in the balance sheets (continued)

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

The Company

Year ended 31 December 2014

	Balance at 1 January 2014 RMB millions	Credited/ (charged) to profit or loss RMB millions	Balance at 31 December 2014 RMB millions
Deferred tax assets arising from:			
Receivables	185	37	222
Accrued expenses	40	(30)	10
Others	12	9	21
Total	237	16	253

Year ended 31 December 2013

	Balance at 1 January 2013 RMB millions	Credited to profit or loss RMB millions	Balance at 31 December 2013 RMB millions
Deferred tax assets arising from:			
Receivables	106	79	185
Accrued expenses	31	9	40
Others	16	(4)	12
Total	153	84	237

24 Employee benefits plans

As stipulated by the regulations of the PRC, the Company and its subsidiaries in the PRC participate in various defined contribution retirement plans organised by municipal and provincial governments for the Group's PRC employees. These entities are required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employee, subject to certain salary limits. A member of the above plans is entitled to a pension equal to a fixed percentage of the salary prevailing at his or her retirement date. In addition, pursuant to Italian Law, CIFA and its Italian subsidiaries are required to contribute to a government-mandated pension fund at 13.5% of the employee's salary each month. Pursuant to Germany Law, m-tec is required to contribute to a government-mandated pension fund at 9.5% of the employee's salary each month. Contributions to these retirement plans are charged to profit or loss as the related employee service is provided (Note 5(b)). The Group has no other material obligation for the payment of benefits associated with these plans beyond the contributions described above.

25 Other non-current liabilities

Other non-current liabilities primarily represent security deposits received from customers that finance their purchase of the Group's machinery products through finance lease arrangement (Note 30(a)), non-recourse factoring discounts payable to banks (Note 22(c)) and deferred income of government grants related to assets. The Group requires such customers to pay deposits as part of the credit risk control measures. The security deposits will be refunded to customers upon receipt of the final lease payment. The amount of security deposits expected to be refunded after one year are classified as non-current liabilities, and the amounts expected to be refunded within one year are classified as current liabilities under the caption "Trade and other payables".

26 Capital and reserves

(a) Share capital

	The Group and The Company	
	2014	2013
	RMB	RMB
	millions	millions
Registered capital		
6,275,925,164 A Shares of RMB1.00 each		
1,430,028,886 H Shares of RMB1.00 each		
(2013: 6,275,925,164 A Shares of RMB1.00 each		
1,430,028,886 H Shares of RMB1.00 each)	**7,706**	7,706
Ordinary shares issued and fully paid:		
At 1 January and 31 December	**7,706**	7,706

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

26 Capital and reserves (continued)

(b) Reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated reserves is set out in the consolidated statement of change in equity. Details of the changes in the Company's individual component of reserves between the beginning and the end of the year are as follows:

	The Company	
	2014 RMB millions	2013 RMB millions
Capital reserve		
Balance at 1 January and 31 December	**14,648**	14,648
Statutory reserve		
Balance at 1 January	**2,901**	2,612
Appropriation (Note 26(b)(ii))	**4**	289
Balance at 31 December	**2,905**	2,901
Other reserve		
Balance at 1 January	**(2)**	(2)
Other comprehensive income	**3**	(1)
Safety production fund	**—**	1
Balance at 31 December	**1**	(2)
Retained earnings		
Balance at 1 January	**15,290**	14,213
Appropriation (Note 26(b)(ii))	**(4)**	(289)
Cash dividends (Note 26(c))	**(1,156)**	(1,541)
Safety production fund	**—**	(1)
Profit for the year	**51**	2,908
Balance at 31 December	**14,181**	15,290
Total		
Balance at 1 January	**32,837**	31,471
Balance at 31 December	**31,735**	32,837

26 Capital and reserves (continued)

(b) Reserves (continued)

(i) Capital reserve

Under PRC rules and regulations, capital reserve is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

(ii) Statutory surplus reserve

Under PRC rules and regulations, the Company and its PRC subsidiaries are required to set aside 10% of the net income determined in accordance with the PRC accounting rules and regulations to a statutory surplus reserve until such reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of any dividend to shareholders. For the year ended 31 December 2014, the Company transferred RMB4 million (2013: RMB289 million), being 10% of the current year's net profit as determined in accordance with PRC accounting rules and regulations, to this reserve.

The statutory surplus reserve is non-distributable other than in liquidation and can be used to make good previous years' losses, if any, and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issuance is not less than 25% of the registered capital. No such statutory surplus reserve is required for the Group's subsidiaries outside the mainland PRC.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group's subsidiaries outside the mainland PRC which are dealt with in accordance with the accounting policies set out in Note 2(o).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale equity securities held at the balance sheet dates and is dealt with in accordance with the accounting policies in Notes 2(h)(i) and 2(i)(i).

26 Capital and reserves (continued)

(c) Cash dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 27 June 2014, a final cash dividend of RMB0.15 per share based on 7,706 million ordinary shares totalling RMB1,156 million in respect of the year ended 31 December 2013 was declared, of which RMB1,155 million was paid by the end of 2014, and the remaining balance of RMB1 million will be paid in 2015.

Pursuant to the shareholders' approval at the Annual General Meeting held on 18 June 2013, a final cash dividend of RMB0.20 per share based on 7,706 million ordinary shares totalling RMB1,541 million in respect of the year ended 31 December 2012 was declared, and was fully paid by the end of 2014.

27 Capital management

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

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

Management monitors its capital structure on the basis of adjusted debt-to-equity ratio. For this purpose, the Group defines debt as total loans and borrowings excluding loans arising from factoring of receivables with recourse. Management considers that although factoring of receivables with recourse does not satisfy the derecognition criteria as set out in Note 2(h)(i), the residual risk on these receivables are low. As such, loans arising from factoring of receivables with recourse are excluded for the purpose of calculating the debt-to-equity ratio. The Group defines equity as all components of equity attributable to equity shareholders of the Company.

During 2014, the Group's strategy, which was unchanged from 2013, was to maintain the adjusted debt-to-equity ratio at less than 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

27 Capital management (continued)

As at 31 December 2014, the Group's adjusted debt-to-equity ratio was as follows:

	2014 RMB millions	2013 RMB millions
Short-term loans and borrowings	**5,687**	8,397
Long-term loans and borrowings	**25,925**	12,750
	31,612	21,147
Less:		
Loans arising from factoring of receivables with recourse	**–**	(832)
Adjusted debt	**31,612**	20,315
Total equity attributable to equity shareholders	**40,791**	41,579
Adjusted debt-to-equity ratio	**77%**	49%

28 Financial Instruments — Fair values and risk management

(a) Accounting classifications and fair values

(i) Financial instruments measured at fair value

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

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

28 Financial Instruments — Fair values and risk management (continued)

(a) Accounting classifications and fair values (continued)

(i) Financial instruments measured at fair value (continued)

— Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group's available-for-sale listed equity securities are measured at fair value using the Level 1 valuations. The fair value of the Group's available-for-sale listed equity securities was RMB8 million as at 31 December 2014 (31 December 2013: RMB4 million).

The Group's available-for-sale investments in the asset management fund are measured at fair value using the Level 2 valuations. The fair value of the Group's available-for-sale investments in the asset management fund was RMB350 million as at 31 December 2014 (31 December 2013: Nil).

As at 31 December 2014 and 31 December 2013, the Group does not have significant financial instruments using the Level 3 valuations.

During the years ended 31 December 2014 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at balance sheet date in which they occur.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 2013 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

The Group

	Carrying amount at 31 December 2014	Fair value at 31 December 2014 categorised into Level 1	Carrying amount at 31 December 2013	Fair value at 31 December 2013 categorised into Level 1
Guaranteed USD senior notes	6,049	5,831	6,013	5,898
RMB medium-term notes	8,991	9,078	—	—

The Group's investments in unlisted equity securities have no quoted market prices and accordingly, a reasonable estimate of their fair values could not be made without incurring excessive costs. Such securities are stated at cost less impairment losses.

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk (Note (b)(ii))
- liquidity risk (Note (b)(iii))
- interest rate risk (Note (b)(iv))
- currency risk (Note (b)(v))

(i) Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management of the Company have established a risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's deposits placed with financial institutions and receivables from customers.

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables, receivables under finance lease, financial guarantees and endorsed bills with full recourse which were derecognised by the Group. The maximum exposure to credit risk is represented by the carrying amount of these financial assets and guarantee obligations as disclosed in Note 30(a).

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management (continued)

(ii) Credit risk (continued)

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's background and financial strengths, past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as the economic environment in which the customer operates. Trade receivables under credit sales arrangement are normally due within 1 to 3 months from the date of billing, and an upfront payment ranging from 20% to 30% (2013: 15% to 30%) of the product price is normally required from the customer. For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 42 months (2013: 6 to 48 months), customers are normally required to make an upfront payment ranging from 15% to 30% (2013: 10% to 30%) of the product price. Collaterals such as properties, machinery or third party guarantees are generally required for customers with lower credit ratings. In addition, credit insurance coverage is required for overseas sales. Certain customers are required to pay by letters of credit. Debtors overdue by 3 months or more are handled by risk management department which is responsible for recovering debts through legal and other actions.

In respect of receivables under finance lease, individual credit evaluations are performed which are similar to those of credit and instalment sales. The risk management committee is responsible for the establishment of credit risk management policies, the supervision on the implementation of such policies and determination of the key terms of the lease contracts, including interest rate, lease period and percentage of deposit, etc. The risk management committee members are also responsible for approval of each leasing transaction within their respective authority. Credit review department, legal department, finance department and information technology department are collectively responsible for credit risk management and monitoring of settlement of receivables under finance lease. The Group's credit risk management procedures include pre-lease investigation, lease approval, lease payment collection and management, as well as repossession and subsequent sale of machineries in case of customer default.

Bank deposits are placed with financial institutions that have high credit ratings. Given their credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. As at 31 December 2014, 0.2% (31 December 2013: 0.2%) of the total trade and bills receivables was due from the Group's largest customer and 1.4% (31 December 2013: 1.1%) of the total trade and bills receivables was due from the Group's five largest customers respectively. As at 31 December 2014, 93.3% and 96.3% (31 December 2013: 94.1% and 96.5%) of total impaired trade receivables and receivables under finance lease was due from the Group's customers located in Mainland PRC.

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management (continued)

(ii) Credit risk (continued)

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 17. Overdue analysis of the Group's receivables under finance lease is set out in Note 18.

In the normal course of business, certain customers of the Group may finance their purchase of the Group's machinery products through bank loans, joint leasing agreements or leasing arrangements provided by third party financial institutions. The Group provides guarantees to banks and other financial institutions for such bank loans and financing provided to the customers. Pursuant to the guarantee arrangements, the Group agrees to pay any outstanding loan principal and interest due to the banks and other financial institutions should such customers default.

Details of the Group's exposure and credit control policy in respect of such guarantees provided are disclosed in Note 30(a).

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash and committed lines of funding from financial institutions to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following table sets out the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current prevailing rates at the balance sheet date) and the earliest date the Group and the Company would be required to repay, other than endorsed bills with full recourse which were derecognised by the Group (Note 17(d) for details).

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management (continued)

(iii) **Liquidity risk** (continued)

The Group

	As at 31 December 2014					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	31,612	36,672	6,795	7,283	18,076	4,518
Trade and other payables	19,494	19,494	19,494	—	—	—
Other non-current liabilities	899	903	—	343	386	174
	52,005	57,069	26,289	7,626	18,462	4,692
Financial guarantees issued						
Maximum amount guaranteed	242	17,266	17,266	—	—	—

	As at 31 December 2013					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	21,147	24,464	6,668	919	12,162	4,715
Trade and other payables	23,891	23,891	23,891	—	—	—
Other non-current liabilities	1,542	1,563	—	858	633	72
	46,580	49,918	30,559	1,777	12,795	4,787
Financial guarantees issued						
Maximum amount guaranteed	248	17,712	17,712	—	—	—

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

The Company

	As at 31 December 2014					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	19,237	22,023	3,323	5,394	13,134	172
Trade and other payables	21,435	21,435	21,435	–	–	–
Other non-current liabilities	220	220	–	18	47	155
	40,892	43,678	24,758	5,412	13,181	327
Financial guarantees issued						
Maximum amount guaranteed	242	17,266	17,266	–	–	–

	As at 31 December 2013					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	9,421	9,749	3,115	532	6,102	–
Trade and other payables	24,431	24,431	24,431	–	–	–
Other non-current liabilities	221	221	–	25	40	156
	34,073	34,401	27,546	557	6,142	156
Financial guarantees issued						
Maximum amount guaranteed	248	17,712	17,712	–	–	–

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

Management believes that the Group's current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Group's working capital requirements and repay its borrowings and obligations when they become due.

(iv) Interest rate risk

The Group's interest rate risk exposure arises primarily from bank deposits, receivables under finance lease, short-term and long-term loans and borrowings. These financial instruments bearing interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The following table sets out the interest rate profile of the Group's and the Company's bank deposits, receivables under finance lease and loans and borrowings as at 31 December 2014.

	The Group			
	2014		2013	
	Weighted average interest rate %	**Amount RMB millions**	Weighted average interest rate %	Amount RMB millions
Fixed rate financial instruments:				
Short-term loans and borrowings	**4.7%**	**(1,271)**	3.4%	(154)
Long-term loans and borrowings	**6.2%**	**(17,340)**	6.6%	(7,554)
		(18,611)		(7,708)
Variable rate financial instruments:				
Pledged bank deposits	**0.5%**	**2,411**	0.5%	3,415
Bank deposits	**1.3%**	**14,481**	1.3%	16,657
Receivables under finance lease	**4.9%**	**16,678**	5.2%	17,635
Short-term loans and borrowings	**2.3%**	**(4,416)**	2.4%	(8,243)
Long-term loans and borrowings	**2.4%**	**(8,585)**	2.7%	(5,196)
		20,569		24,268
Net amount		**1,958**		16,560

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

	The Company			
	2014		2013	
	Weighted average interest rate %	**Amount RMB millions**	Weighted average interest rate %	Amount RMB millions
Fixed rate financial instruments:				
Short-term loans and borrowings	**4.7%**	**(1,259)**	3.0%	(56)
Long-term loans and borrowings	**5.9%**	**(11,291)**	5.6%	(1,541)
		(12,550)		(1,597)
Variable rate financial instruments:				
Pledged bank deposits	**0.5%**	**1,889**	0.5%	1,884
Bank deposits	**1.6%**	**11,233**	1.6%	11,822
Short-term loans and borrowings	**3.9%**	**(1,377)**	3.1%	(4,315)
Long-term loans and borrowings	**2.7%**	**(5,310)**	3.1%	(3,509)
		6,435		5,882
Net amount		**(6,115)**		4,285

As at 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after taxation and retained earnings by approximately RMB175 million (2013: RMB209 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and the change was applied to the Group's debts outstanding at the balance sheet date which had exposure to interest rate risk. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the next balance sheet date. The analysis is performed on the same basis for 2013.

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management (continued)

(v) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to receivables, payables, loans and borrowings and cash balances that are denominated in a foreign currency, that is, a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US dollars, HK dollars, Japanese Yen and Euro.

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

The Group

	Exposure to foreign currencies risk (expressed in equivalent RMB millions)							
	2014				2013			
	USD	EUR	Yen	HKD	USD	EUR	Yen	HKD
Trade debtors	1,467	45	40	9	379	65	44	–
Cash and cash equivalents	548	102	–	13	344	8	–	21
Trade creditors	(658)	(42)	(2)	(1)	(192)	(558)	(3)	(26)
Loans and borrowings	(5,262)	(264)	–	–	(6,188)	(17)	(5)	–
Net exposure arising from recognised assets and liabilities	(3,905)	(159)	38	21	(5,657)	(502)	36	(5)

The Company

	Exposure to foreign currencies risk (expressed in equivalent RMB millions)							
	2014				2013			
	USD	EUR	Yen	HKD	USD	EUR	Yen	HKD
Trade debtors	1,446	20	15	–	316	40	16	–
Cash and cash equivalents	360	12	–	–	297	2	–	–
Trade creditors	(516)	(2)	–	–	(191)	(54)	–	–
Loans and borrowings	(5,262)	(252)	–	–	(6,188)	(8)	(5)	–
Net exposure arising from recognised assets and liabilities	(3,972)	(222)	15	–	(5,766)	(20)	11	–

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management (continued)

(v) Currency risk (continued)

The following table indicates the change in the Group's profit after taxation (and retained earnings) and other components of consolidated equity that would arise if foreign exchange rates to which the Group's financial assets and liabilities have significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant:

	The Group			
	2014		2013	
	Increase/ decrease in foreign exchange rates	Effect on profit after taxation and retained profits RMB millions	Increase/ decrease in foreign exchange rates	Effect on profit after taxation and retained profits RMB millions
USD	5%	(166)	5%	(240)
	-5%	166	-5%	240
EUR	5%	(7)	5%	(21)
	-5%	7	-5%	21
Yen	5%	2	5%	2
	-5%	(2)	-5%	(2)
HKD	5%	1	5%	—
	-5%	(1)	-5%	—

Other than the amounts as disclosed above, the amounts of other financial assets and liabilities of the Group are substantially denominated in the functional currency of the respective entity within the Group.

29 Commitments

(a) Capital commitments

As at 31 December 2014, the Group and the Company had capital commitments as follows:

	The Group		The Company	
	2014 RMB millions	2013 RMB millions	**2014 RMB millions**	2013 RMB millions
Authorised and contracted for				
— property, plant and equipment	**313**	623	**210**	391
— intangible assets	**22**	22	**22**	22
— lease prepayments	**—**	66	**—**	66
— equity investment (Note 36(a))	**261**	—	**261**	—
	596	711	**493**	479
Authorised but not contracted for				
— property, plant and equipment	**4**	94	**4**	4
	4	94	**4**	4

29 Commitments (continued)

(b) Operating lease commitments

The Group leases business premises and equipment through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

As at 31 December 2014, the future minimum lease payments under operating lease are as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB millions	RMB millions	**RMB millions**	RMB millions
Within 1 year	**113**	133	**77**	92
After 1 but within 2 years	**86**	76	**50**	36
After 2 but within 3 years	**57**	67	**27**	27
After 3 but within 4 years	**44**	47	**20**	19
After 4 but within 5 years	**15**	40	**15**	16
Thereafter	**26**	37	**26**	37
	341	400	**215**	227

30 Contingent liabilities

(a) Financial guarantee issued

Certain customers of the Group from time to time may finance their purchase of the Group's machinery products through bank loans, and the Group provides guarantees to the banks for the amount drawn by customers. Under the guarantee arrangement, in the event of customer default, the Group is required to repossess the machinery collateralising the bank loans, and is entitled to sell the machinery and retain any net proceeds in excess of the guarantee payments made to the banks. As at 31 December 2014, the Group's maximum exposure to such guarantees was RMB14,525 million (31 December 2013: RMB15,044 million). The terms of these guarantees coincide with the tenure of bank loans which generally range from 1 to 5 years. The Group, when called upon by the banks to fulfil its guarantee obligations, has historically been able to sell the repossessed machinery for proceeds that are not significantly different from the amount of the guarantee payments. For the year ended 31 December 2014, the Group made payments of RMB497 million (2013: RMB447 million) to the banks for repossession of machinery under the guarantee arrangement as a result of customer default.

30 Contingent liabilities (continued)

(a) Financial guarantee issued (continued)

Certain of the Group's finance lease contracts with end-user customers are jointly provided by the Group's leasing subsidiaries and a third-party leasing company. Under the joint leasing arrangement, the Group provides guarantee to the third-party leasing company that in the event of customer default, the Group is required to make payment to the leasing company for its share of the outstanding lease payments due from the customer. At the same time, the Group is entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing company. As at 31 December 2014, the Group's maximum exposure to such guarantees was RMB5 million (31 December 2013: RMB142 million). The terms of these guarantees coincide with the tenure of the lease contracts which generally range from 2 to 5 years. For the years ended 31 December 2014, there was no payments (2013: RMB64 million) due to default of end-user customers which required the Group to make guarantee payments to the third-party leasing company.

Starting from 1 January 2013, certain customers of the Group finance their purchase of the Group's machinery products through finance leases provided by third-party leasing companies. Under the third party leasing arrangement, the Group provides guarantee to the third-party leasing companies that in the event of customer default, the Group is required to make payment to the leasing companies for the outstanding lease payments due from the customer. At the same time, the Group is entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing companies. As at 31 December 2014, the Group's maximum exposure to such guarantees was RMB2,736 million (31 December 2013: RMB2,526 million). The terms of these guarantees coincide with the tenure of the lease contracts which generally range from 2 to 5 years. For the year ended 31 December 2014, there was no payment made for repossession of machinery incurred (2013: Nil) under the guarantee arrangement as a result of customer default.

(b) Contingent liability in respect of legal claims

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. Management has assessed the likelihood of any unfavourable outcome of such contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group.

31 Related party transactions

(a) Transactions with related parties

	2014 RMB millions	2013 RMB millions
Transactions with associates:		
Sales of products	**628**	1,617
Purchase of raw materials and finished goods	**36**	34

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and in accordance with the agreements governing such transactions which are comparable to normal commercial terms.

(b) Outstanding balances with related parties

Amounts due from/to related parties are arising in the Group's normal course of business and are included in the account captions of trade and other receivables and trade and other payables, respectively. These balances bear no interest, are unsecured and are repayable in accordance with the agreements governing such transactions which are comparable to credit period with third-party customers/suppliers.

(c) Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The key management personnel compensation are as follows:

	2014 RMB thousands	2013 RMB thousands
Short-term employee benefits	**25,917**	34,897
Retirement scheme contributions	**363**	363
	26,280	35,260

Total emoluments are included in "staff costs" as disclosed in Note 5(b).

(d) Contributions to retirement plans

The details of the Group's employee benefit plans are disclosed in Note 24.

32 Accounting estimates and judgements

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

The selection of significant accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The significant accounting policies are set forth in Note 2 to the financial statements. Note 14 contains information about significant assumptions and their risk factors relating to goodwill impairment.

Management reviews estimations and underlying assumptions ongoing basis. Revisions to accounting estimations are recognised in the period in which the estimations are revised and in any future periods affected.

Other key sources of estimation uncertainty are as follows:

(a) Impairment of trade receivables and receivables under finance lease

Management estimates impairment losses of trade receivables (which are recorded in an allowance account for doubtful debts) resulting from the inability of the customers to make the required payments. Management bases its estimates on the ageing of the accounts receivable balance, customer credit-worthiness, estimated fair value of collateral assets and historical write-off experience. If the financial condition of the customers or fair value of collateral assets were to deteriorate, actual write-offs may be higher than expected and could significantly affect the results of future periods.

(b) Warranty provision

As explained in Note 22(b), the Group makes product warranty provision based on its best estimate of the expected settlement under the sales agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience, historical warranty data and a weighing of all possible outcomes against their associated probabilities. As the Group is continually upgrading its product designs and launching new models, it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(c) Write-down of inventories

As described in Note 2(j), the Group writes down the cost of inventories to net realisable value when the net realisable value of inventories is lower than the cost. The Group estimates the net realisable value of inventories by taking into account the recent selling prices and forecasted market demand. However, the actual realised value of the inventories may be significantly different from the estimated amount at the balance sheet date.

32 Accounting estimates and judgements (continued)

(d) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 2(i)(ii). The carrying amounts of the Group's long-lived assets, including property, plant and equipment, intangible assets and investments in subsidiaries and associates are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. For goodwill and trademarks with indefinite useful lives, the impairment testing is performed at least annually at the end of each year. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and the fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. It is difficult to precisely estimate selling price of the Group's long-lived assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(e) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual value, if any. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and take into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Amortisation of intangible assets is recognised on a straight-line basis over the respective intangible assets' estimated useful lives. Management reviews the estimated useful lives annually in order to estimate the amount of amortisation expense to be recorded during any reporting period. The estimated useful lives are based on the estimated periods over which future economic benefits will be received by the Group and take into account the level of future competition, the risk of technological or functional obsolescence and the expected changes in the regulatory and social environment. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

33 Investments in subsidiaries

	The Company	
	2014	2013
	RMB millions	RMB millions
Unlisted shares, at cost	**12,172**	11,771

The following list contains particulars of subsidiaries as at 31 December 2014 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

		Proportion of ownership interest			
Name of company	**Particulars of issued and paid up capital (millions)**	**Group's effective interest**	**held by the Company**	**held by subsidiary**	**Principal activities**
Compagnia Italiana Forme Acciaio S.p.A.	EUR 15	100%	—	100%	Manufacture of concrete machinery
Shaanxi Zoomlion Earth Working Machinery Co., Ltd.	RMB474	100%	100%	—	Manufacture of earth working machinery
Hunan Zoomlion Axle Co., Ltd.	RMB466	88.86%	88.86%	—	Manufacture of motor vehicle components
Zoomlion Material Handling Equipment Co., Ltd.	RMB100	100%	100%	—	Manufacture of material handling machinery
Zoomlion Finance and Leasing (Beijing) Co., Ltd.	RMB1,502	100%	100%	—	Leasing of construction equipment and machinery

33 Investments in subsidiaries (continued)

Name of company	Particulars of issued and paid up capital (millions)	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
Hunan Zoomlion International Trade Co., Ltd.	RMB50	100%	100%	—	Trading of equipment and machinery
Hunan Teli Hydraulic Co., Ltd.	RMB180	77.61%	77.61%	—	Manufacture of hydraulic products
Hunan Zoomlion Special Vehicles Co., Ltd.	RMB69	100%	100%	—	Manufacture of specialised vehicles
Zoomlion Finance and Leasing (China) Co., Ltd.	USD280	100%	—	100%	Leasing of equipment and machinery
Hunan Zoomlion Crawling Crane Ltd.	RMB360	100%	100%	—	Manufacture of crawling cranes
Hunan Zoomlion Hardware Co., Ltd.	RMB100	100%	100%	—	Manufacture of components
Shanghai Zoomlion Pile Foundation Machinery Co., Ltd.	RMB50	100%	100%	—	Manufacture of pile foundation machinery
Hunan Zoomlion Intelligent Technology Co., Ltd.	RMB50	100%	100%	—	Research and manufacture of machine software

33 Investments in subsidiaries (continued)

Name of company	Particulars of issued and paid up capital (millions)	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
Hunan Zoomlion Concrete Machinery Site Equipment Co., Ltd.	RMB451	100%	100%	—	Manufacture of concrete machinery
Zoomlion H.K. SPV Co., Limited	USD25	100%	—	100%	Investment holding
m-tec mathis technik GmbH (Note 14)	EUR 3	100%	—	100%	Manufacture of concrete machinery
Zoomlion Commercial Factoring (China) Co., Ltd.	USD100	100%	—	100%	Investment holding

All of the above subsidiaries are incorporated and operate in the PRC, except for CIFA and m-tec which is incorporated and operates in Italy and Germany, respectively. All of the above subsidiaries are limited liability companies.

34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ended 31 December 2014

Up to the date of issue of these financial statements, the IASB has issued of the following amendments, new standards and interpretations which are not yet effective for the annual accounting year ended 31 December 2014:

	Effective for accounting period beginning on or after
Amendments to IAS 19, Defined benefit plans: Employee contributions	1 July 2014
Annual improvements to IFRSs 2010–2012 cycle	1 July 2014
Annual improvements to IFRSs 2011–2013 cycle	1 July 2014
IFRS 14, "Regulatory defferal accounts"	1 January 2016
Amendments to IFRS 11, "Accounting for acquisitions of interests in joint operations"	1 January 2016
Amendments to IAS 16 and IAS 38, "Clarification of acceptable methods of depreciation and amortisation"	1 January 2016
Amendments to IAS 16 and IAS 41, "Agriculture: Bearer Plants"	1 January 2016
IFRS 15, "Revenue from contracts with customers"	1 January 2017
IFRS 9, "Financial instruments"	1 January 2018

The Group has not early adopted the above amendments, new standards and interpretations. Company management is still in the process of assessing what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application and is not yet in a position to determine whether or not the adoption of these amendments, new standards and interpretations will have a significant impact on the Group's results of operations and financial position.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

35 Reconciliation of financial information prepared under PRC GAAP to IFRSs

Effects of major differences between the total equity and total comprehensive income under PRC GAAP and the total equity and total comprehensive income under IFRSs are analysed as follows:

(a) Reconciliation of total equity of the Group

	2014 RMB millions	2013 RMB millions
Total equity reported under PRC GAAP	**41,248**	42,052
— Acquisition-related costs incurred on prior year business combination	**(40)**	(40)
Total equity reported under IFRSs	**41,208**	42,012

(b) Reconciliation of total comprehensive income for the year of the Group

	2014 RMB millions	2013 RMB millions
Total comprehensive income for the year reported under PRC GAAP	**421**	3,900
— Safety production fund (Note)	**—**	5
Total comprehensive income for the year reported under IFRSs	**421**	3,905

Note: Under PRC GAAP, safety production fund should be accrued and recognised in profit or loss with a corresponding credit in reserve according to relevant PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related equipment are purchased, is reduced by the purchase cost with a corresponding increase in the accumulated depreciation. Such fixed assets are not depreciated thereafter. Under IFRSs, expense is recognised in profit or loss when incurred, and fixed assets are capitalised and depreciated in accordance with applicable accounting policies.

(c) There is no material difference between the consolidated cash flow of the Group reported under PRC GAAP and IFRSs.

36 Post balance sheet events

(a) Acquisition of Chery Heavy Industry Co., Ltd. (奇瑞重工股份有限公司, “Chery”)

The Company entered into a Share Purchase Agreement on 19 August 2014 to acquire 60% equity interest of Chery with a cash consideration of RMB2,088 million, which has been prepaid in 2014 and recorded as “other non-current assets” as of 31 December 2014. On 30 December 2014, the Company entered into another Share Purchase Agreement to acquire an additional 7.51%equity interest of Chery with a cash consideration of RMB261 million. The acquisition has been completed on 4 January 2015. As the initial accounting for the business combination has not been completed at the time of these financial statements are authorised for issue, the fair value at the identifiable assets, liabilities and contingent liabilities acquired during this transaction was not disclosed.

(b) Final dividend for 2014

Pursuant to a resolution passed at the directors’ meeting on 27 March 2015, a final dividend in respect of the year ended 31 December 2014 of RMB0.05 (2013: RMB0.15) per share totalling RMB385 million (2013: RMB1,156 million) was proposed for shareholders’ approval at the Annual General Meeting. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.