中國高速傳動設備集團有限公司*

China High Speed Transmission Equipment Group Co., Ltd.

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 658)

ANNUAL REPORT 2015

* For identification purpose only

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Yueming *(Chairman and Chief Executive Officer)*
Mr. Chen Yongdao
Mr. Liao Enrong
Mr. Gou Jianhui
Mr. Wang Zhengbing
Mr. Zhou Zhijin
Mr. Hu Jichun

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Chen Shimin *(Chairman)*
Mr. Jiang Xihe
Mr. Chen Yongdao

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISER

Li & Partners

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CORPORATE INFORMATION

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. Liao Enrong

Mr. Lui Wing Hong, Edward

PRINCIPAL BANKERS

China Construction Bank

ICBC

China Minsheng Bank

China Merchants Bank

SPD Bank

BNP Paribas

Citibank

Australia and New Zealand Bank

WEBSITE

www.chste.com

PLACE OF LISTING

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

(Stock Code: 00658)

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000	Change
Revenue	**9,845,695**	8,147,338	20.8%
Gross Profit	**3,198,021**	2,043,362	56.5%
Profit for the year attributable to owners of the Company	**1,033,097**	208,422	395.7%
Basic earnings per share (RMB)	**0.632**	0.127	397.6%
Proposed final dividend per share (HKD)	**0.23**	—	

	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000	Change
Total Assets	**25,292,081**	25,299,504	0%
Total Liabilities	**15,317,343**	16,429,402	-6.8%
Net Assets	**9,974,738**	8,870,102	12.5%
Net Assets per share (RMB)	**6.1**	5.4	13.0%
Gearing Ratio*(%)	**60.6**	64.9	

* Gearing ratio = Total liabilities/Total assets

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2011	2012	2013	2014	**2015**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Business result					
Revenue	7,120,712	6,368,817	6,539,058	8,147,338	**9,845,695**
Profit for the year	547,588	128,472	31,157	175,682	**1,002,897**
Profit for the year attributable to owners of the Company	556,974	138,426	64,573	208,422	**1,033,097**

	At 31 December				
	2011	2012	2013	2014	**2015**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets and Liabilities					
Total Assets	18,400,984	19,882,234	22,970,686	25,299,504	**25,292,081**
Toal Liabilities	(10,778,949)	(12,137,671)	(14,208,985)	(16,429,402)	**(15,317,343)**
	7,622,035	7,744,563	8,761,701	8,870,102	**9,974,738**
Attributable to:					
Equity owners of the Company	7,472,581	7,539,438	8,513,877	8,688,371	**9,759,102**
Non-controlling interests	149,454	205,125	247,824	181,731	**215,636**
	7,622,035	7,744,563	8,761,701	8,870,102	**9,974,738**

CHAIRMAN'S STATEMENT

I am pleased to present the 2015 annual report (the "**Annual Report**") of China High Speed Transmission Equipment Group Co., Ltd. (the "**Company**"). For the year ended 31 December 2015 (the "**Period under Review**"), the Company and its subsidiaries (collectively referred to as the "**Group**") recorded sales revenue of approximately RMB9,845,695,000, representing an increase of approximately 20.8% from 2014. Profit attributable to owners of the Company was approximately RMB1,033,097,000, representing an increase of approximately 395.7% from 2014. The gross profit margin for the year was 32.5%, representing an increase of 7.4 percentage points from last year. The Company continued to lead domestic wind power equipment industry by focusing on customers' need, keeping up with market demand, and optimizing product mix and cost control to sharpen its core competitive edge. The Company also proactively restructured its industrial gear transmission equipment business. As a result, remarkable results over the overall performance of the industry was achieved for 2015.

In 2015, the global economy was under intensive adjustment. China's economy has entered into a "new normal" stage with lower growth rate and started to seek for relief from its reliance on manufacturing industry. In this regard, the deliveries of equipment manufacturing industry products were also affected. In contrast, the wind power industry has gradually entered into a rational and mature development stage following the phase-out of most excessive capacities through intensified industry consolidation during the past few years. According to preliminary statistics of Chinese Wind Energy Association, new installed capacity of wind power in China increased by 31.5% year on year to 30.5GW in 2015. By the end of 2015, the total installed capacity exceeded 145GW, representing an increase of 26.6% as compared with last year. The total installed capacity of 145GW was substantially greater than the target of installed capacity of 100GW set under the "Twelfth Five-year Plan for Wind Power".

Driven by the new installed wind power capacity of approximately 30.5GW in China, the global wind power industry recorded a new installed wind power capacity of 63.0GW, achieving a market growth of 22% for the year. According to the latest statistics of the Global Wind Energy Council (國際風能委員會), by the end of 2015, the total global installed capacity of wind power reached 432.4GW, representing an increase of 17% for the year. Moreover, leveraging on the excellent results of markets for new installed capacity, China has surpassed the European Union and ranked first in the world in terms of total installed capacity of wind power. Under China's definite direction to lower wind power tariff in the next two years, winder power will be more competitive in terms of tariff and reliability. Therefore, winder power is leading the reform of transforming fossil energy to clean energy not only in China but also in the world.

CHAIRMAN'S STATEMENT

Throughout 2015, the growth of global economy has experienced a downturn, while domestic demand for wind power equipment increased. Benefiting from business restructuring, the Group's revenue of wind power transmission equipment products increased by 34.5% year on year to RMB780 million, the highest on record. The Group has captured about 60% market share (excluding direct-drive technology) in Mainland China. During the Period under Review, the Group, in addition to supplying large and diverse wind power gear boxes to its customers, also succeeded in the research and development of 5MW and 6MW wind power gear boxes and reserved relevant technologies. In terms of technical level, the Group has kept abreast with international competitors. The Group also established good cooperation with renowned domestic and international wind turbine manufacturers, including GE Energy, Nordex, Vestas, Senvion, Hitachi, Alstom Wind, Suzlon, Goldwind (金風科技), Sinovel (華銳風電), Guangdong Mingyang (廣東明陽), Shanghai Electric (上海電氣), Guodian United (國電聯合) and Dongfang Electric (東方電氣). It also continued to present its high quality service integrated with products, maintenance, technique supports and sales to overseas customers through its wholly-owned subsidiaries in the US, Germany, Singapore and Canada. Furthermore, the significant improvement in recognition from overseas customers enabled the Group's No. 1 position in the world in terms of deliveries remained. In the future, the Group will continue to focus on product quality, enhance its international competitiveness to expand overseas markets while keeping its leading market share in domestic market, and sharpen its leading edge, striving to bring its overseas sales to similar level with its domestic sales in five years.

Meanwhile, the Group implemented optimized and lean management policies and adapted development direction for its industrial gear transmission equipment business. During the Period under Review, affected by the slowdown of macro economy, the revenue of industrial gear transmission equipment products decreased by 7.6% year on year to RMB122 million, while the gross profit margin increased by 0.8 percentage points year on year. Starting from 2015, the Group adjusted its future development strategies and has stripped the mining machinery business and disposed of 83.61% equity interest in Nanjing Gaochuan Electrical & Mechanical Auto Control Equipment Co., Ltd.* (南京高傳機電自動控制設備有限公司), one of its subsidiaries, respectively, allowing the Group to allocate more resources to its core gear business and achieve optimal distribution of resources. In the future, in the industrial gear business segment, the Group will complete its quality control system by improving its production process and implementing the strategies of standardized and modularized production, and further promote the design and development of new products, with the aim to bring this business segment to a new stage and make the Group a strong competitor to manufacturers of imported equipment in three to five years.

During the Period under Review, on the basis of business restructuring, the Group has taken prudent and practical capital management and repaid part of its loans making interest on loans decreased by approximately 13.3% year on year, achieving a strategic synergy between business development and capital management and an optimized financial structure for the Group.

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CHAIRMAN’S STATEMENT

Looking ahead in future, according to forecast from various channels, the target set for 2020 under the “Thirteenth Five-year Plan for Wind Power” will be raised from 200GW set under the “Twelfth Five-year Plan for Wind Power” and is projected to reach 250-280GW. Renewables portfolio standards are expected to be issued in near future. The implementation of a series of policies indicates that China’s wind power industry will obtain sustainable development in 2020. As a result, a favorable external environment is created for the Group’s future development, enabling dominant enterprises to demonstrate their advantages in brand influence, financial strength, and technical innovation. Furthermore, the Group will continue to increase and enhance its gear transmission business. In the future, we will also seek for development in overseas market to expand our international operation and continue to enhance business quality and economy of scale. The Group believes that, with our efficient business structure and sense of fiduciary duties to shareholders, the Company will be able to accurately capture market opportunities and become a leading enterprise in the gear transmission industry.

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

Hu Yueming
Chairman
18 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in research, design, development, manufacture and distribution of a broad range of mechanical transmission equipment that are used in wind power and a wide range of industrial applications. During the Period under Review, the Group recorded sales revenue of approximately RMB9,845,695,000 (2014: RMB8,147,338,000), representing an increase of 20.8% from 2014. The gross profit margin was approximately 32.5% (2014: 25.1%). Profit attributable to owners of the Company was approximately RMB1,033,097,000 (2014: RMB208,422,000), representing an increase of 395.7% from 2014. Basic earnings per share amounted to RMB0.632 (2014: RMB0.127), representing an increase of 397.6% from 2014.

Principal business review

1. **Gear Segment**

(i) **Wind gear transmission equipment**

Large, diversified and overseas market development

The wind gear transmission equipment is a major product that has been developed by the Group. During the Period under Review, sales revenue of wind power gear transmission equipment business increased by approximately 34.5% to approximately RMB7,803,764,000 (2014: RMB5,801,985,000) as compared with last year. The increase was attributable to the fact that domestic demand for wind power equipment had increased and the PRC government had successively launched policies encouraging the development of renewable energy and offshore wind power, as well as customers' confidence in the stable quality and comprehensive service of wind power generation products supplied by the Group, leading to the significant increase of product delivery.

The Group is a leading supplier of wind gear transmission equipment in the PRC. By leveraging its strong research, design and development capabilities, the Group's research and development have achieved good results. Among these products, the 1.5MW, 2MW and 3MW wind power gear transmission equipment has been provided to domestic and overseas customers in bulk. The product technology has reached an international advanced level and is well recognised by customers of the Group. During the Period under Review, the Group, in addition to supplying diverse and large wind power gear boxes to its customers, also succeeded in the research and development of 5MW and 6MW wind power gear boxes and acquired the relevant technologies which have kept abreast with international competitors in terms of product technical level.

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

(ii) Industrial gear transmission equipment

Enhance market competitiveness through changes in production mode and sales strategies

The Group's traditional gear transmission equipment products are mainly supplied to customers in industries such as metallurgy, construction materials, traffic, transportation, petrochemical, aerospace and mining. During the Period under Review, the sales of general purpose gear transmission equipment increased by 30.4% to approximately RMB82,446,000 (2014: RMB63,230,000). The sales of high-speed heavy-load gear transmission equipment, gear transmission equipment for construction materials, gear transmission equipment for bar-rolling, wire-rolling and plate-rolling mills, and other products dropped by 12.8%, 20.1%, 32.0% and 14.5% to approximately RMB12,833,000 (2014: RMB14,712,000), approximately RMB261,791,000 (2014: RMB327,527,000), approximately RMB188,536,000 (2014: RMB277,243,000) and approximately RMB664,779,000 (2014: RMB777,286,000) respectively.

Owing to the deterioration of global economic environment and against the backdrop of tightened monetary policy by the PRC government to curb an overheated economy, the equipment industry in the PRC remained in overcapacity during the Period under Review, therefore the Group adjusted the development strategy for traditional industrial gear transmission equipment, targeting sales to high-end market, high-end customers, productive businesses and producing high quality products to improve profit margins. By leveraging its research and development technologies, the Group focused on the development of energy-saving and environmentally-friendly products, and formulated strategies to facilitate sales growth by standardizing and modularizing its products. Meanwhile, the Group strengthened its efforts to provide and sell parts and components of relevant products to its customers, helping them enhance the efficiency of its existing products without increasing capital expenditure, thereby maintaining its position as a major supplier in the traditional industrial transmission product market.

During the Period under Review, the Group also recorded solid performance in respect of transmission equipment for high-speed locomotives, metro lines and urban light rail segments. In addition to receiving orders of metro gear boxes continuously from metro lines of various cities in China, the Group has also secured new customers from India and Mexico. The Group has obtained the International Railway Industry Standard (IRIS) certificate for its rail transportation products, which has laid a solid foundation for the Group's rail transportation products to expand into high-end international railway markets. During the Period under Review, the Group took part in the 6th Beijing International Exhibition on Operation and Equipment of City Rail Transportation Construction (第六屆北京國際城市軌道交通建設運營及裝備展覽會) held on 17 November 2015 in Beijing. Furthermore, locomotive tractive gears manufactured by Nanjing High Speed Gear Manufacturing Co., Ltd. ("**Nanjing High Speed**"), a wholly-owned subsidiary of the Company, successfully passed the certification of China Railway Test & Certification Centre (CRCC), symoblising that the Group has formally become a qualified supplier of China Railway Corporation. Currently its products have been successfully applied to rail transportation transmission equipment in Beijing, Shanghai, Shenzhen, Nanjing, Qingdao, Dalian, Suzhou, Hong Kong and Singapore. The Group will continue to expand three major business segments, being high-speed railway, metro line and urban light rail and accelerate the research and development of light rail and high-speed railway gear equipment. The gear boxes delivered to customers include PDM460 type with two-stage transmission structure, which has passed the initial inspection during the Period under Review, including various testing materials of gear box, appearance of gear box, spare parts and relevant technical documentations. That ensures high reliability of gear box during variable loads and high vibration and other complex conditions. Also, the application of unique gear modification technology increased the load-carrying capacity of gear box. This type of gear box has a no-repairing life exceeding 1,200,000 kilometers, meeting the requirement of low noise and high density power. PDM460 gear box will be used on new suburb trains at Pretoria, Johannesburg, Cape Town and Durban in South Africa. Such new trains are used for increasing number of passengers in these areas while providing efficient and safe public transportation for them, so as to enable the rail transportation transmission equipment to become a new source of growth of the Group. During the Period under Review, such business generated sales revenue of approximately RMB151,547,000 for the Group (2014: RMB157,623,000), representing a decrease of 3.9% over last year.

During the Period under Review, the industrial gear business segment generated sales revenue of approximately RMB1,361,932,000 for the Group (2014: RMB1,617,621,000), representing a decrease of 15.8% over last year.

2. **Marine gear transmission equipment**

Actively expand the domestic and overseas market

The Group continued to focus on research and development of new products and market expansion, and nine series of marine products have been applied in all equipment of overall ship propulsion system. The propulsion equipment manufactured by Nanjing High Accurate Marine Equipment Co., Ltd. ("**Nanjing Marine**"), a wholly-owned subsidiary of the Group, is also applied in fishery patrols in the domestic sea area and is well known in the overall marine supplementary business as the only technology-driven manufacturer of marine supplementary products in the PRC which is capable of providing global shipment and global warranty services. In 2015, with a view to observe requirements in the Implementation Programs to Accelerate the Structural Adjustment for Promoting the Transformation and Upgrading in the Shipbuilding Industry (2013-2015) promulgated by the State Council (《船舶工業加快結構調整促進轉型升級實施方案(2013-2015)》), the Group will continue to increase its innovation capabilities by launching more high-end products, and strive to provide the best marine propulsion system, platform gear box and marine transmission equipment for special purposes for more domestic and overseas customers. The Group has expanded its brand awareness in the overseas market. During the Period under Review, the Group's propulsion system for maritime inspection vessels of 5,000 tonnes and its adjustable oar system for fishery patrols of 1,000 tonnes had successfully passed the sea trial. For the export side, the Group received export order for supplying propellers for ten ships during the Period under Review. During the Period under Review, the Group took part in the 18th Marintec China (第18屆中國國際海事展) held at the Shanghai New International Expo Centre (上海新國際博覽中心) on 1 December 2015, during which customers and partners from all over the world conducted business communication and negotiation. The Group will continue to promote the diversity of its marine transmission equipment products in order to leverage the momentum of market recovery to lay a solid foundation for its future development.

During the Period under Review, sales revenue of marine gear transmission equipment was approximately RMB410,154,000 (2014: RMB350,417,000), representing an increase of 17.0% over last year.

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

CNC machine tool products industry

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

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

During the Period under Review, the Group participated in the 14th China International Machine Tool Show (CIMT2015), one of the four largest international machine tool shows in the world, held in China International Exhibition Center, Beijing on 20 April 2015.

In response to the show's theme of "New change to Future" and to keep up with the development of the world, the Group grandly launched its two new models, i.e. the flexible manufacturing system and the five-axis high-speed advanced fiber optic laser machine, on the show, and the new models have attracted a great deal of attention from users and peers not only on account of their outstanding appearances, but also on account of their unique design concept.

During the Period under Review, the Group provided CNC machine tool products to customers through various subsidiaries and recorded sales revenue of approximately RMB142,127,000 (2014: RMB225,325,000), representing a decrease of 36.9% over last year.

4. **Diesel engine product industry**

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

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

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

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

During the Period under Review, the Group's sales revenue from diesel engines amounted to approximately RMB127,718,000 (2014: RMB151,990,000), representing a decrease of 16.0% over last year.

LOCAL AND EXPORT SALES

During the Period under Review, the Group maintained its position as the leading supplier of mechanical transmission equipment in the PRC. During the Period under Review, the overseas sales amounted to approximately RMB2,161,833,000 (2014: RMB1,364,666,000), representing an increase of 58.4% over last year. Overseas sales accounted for 22.0% to total sales (2014: 16.7%), representing an increase of 5.3% to total sales over the previous year. At present, the overseas customers of the Group are based mainly in the U.S. and other countries such as India, Japan and Europe. Although the economies in Europe and the U.S. were yet to be fully recovered during the Period under Review, the Group introduced different types of products in order to extend its coverage to the overseas market.

PATENTED PROJECTS

The business of the Group has high entry barriers and requires specific technical know-how. The Group enhances corporate growth by introducing new products and new technology. Various new products have made their debuts in the domestic market under the Group's on-going innovation of products and technology. Leveraging its advanced technology and premium quality, the Group has obtained over 100 national, provincial and municipal technology advancement awards, outstanding new products awards, certification for new products, certification for high and new tech products and certification of high and new tech enterprise. As at 31 December 2015, a total of 316 patents were granted by the State. In addition, 52 patent applications have been submitted and pending for approval. The Group was the first producer to adopt ISO1328 and ISO06336 international standards. It was nominated as an enterprise for the 863 State Plan and a Computer Integrated Manufacturing System (CIMS) Application Model Enterprise by the Ministry of Science and Technology of the PRC. Until now, the Company passed ISO9001:2008 quality management system certification, ISO14001:2004 environmental management system certification and GB/T28001-2001 Occupational Health and Safety Management System Certification. Nanjing Marine has strictly complied with international standards and the requirements of various classification societies in designing and manufacturing marine products. Its products have passed the inspection of and obtained certifications from classification societies such as China Classification Society (CCS), Bureau Veritas (BV) in France, Germanischer Lloyd (GL) in Germany, American Bureau of Shipping (ABS) in the United States, Lloyd's Register of Shipping (LR) in the UK, Registro Italiano Navale (RINA) in Italy, Det Norske Veritas (DNV) in Norway, Russian Maritime Register of Shipping (RMRS) in Russia and Nippon Kaiji Kyokai (NK) in Japan. The wind power products manufactured by Nanjing High Speed, a wholly-owned subsidiary of the Company, have obtained certifications from China Classification Society (CCS), China General Certification Center (CGC), Technischer Uberwachungs-Verein (TUV), Germanischer Lloyd (GL) and DEWI-OCC Offshore and Certification Centre in Germany, and its rail transportation products have obtained certifications from International Railway Industry Standard (IRIS). Locomotive tractive gears successfully passed the certification of China Railway Test & Certification Centre (CRCC).

FINANCIAL PERFORMANCE

The Group's sales revenue increased by 20.8% to approximately RMB9,845,695,000 during the Period under Review.

	Revenue Year ended 31 December		
	2015 **RMB'000**	2014 RMB'000	Change
Gear Segment	**9,165,696**	7,419,606	23.5%
– Wind Gear Transmission Equipment	**7,803,764**	5,801,985	34.5%
– Industrial Gear Transmission Equipment	**1,361,932**	1,617,621	-15.8%
– Gear Transmission Equipment for Construction Materials	**261,791**	327,527	-20.1%
– Gear Transmission Equipment for Bar-rolling, Wire-rolling and Plate-rolling Mills	**188,536**	277,243	-32.0%
– Transmission Equipment for High-speed Locomotives, Metros and Urban Light Rails	**151,547**	157,623	-3.9%
– General Purpose Gear Transmission Equipment	**82,446**	63,230	30.4%
– High-speed Heavy-load Gear Transmission Equipment	**12,833**	14,712	-12.8%
– Other products	**664,779**	777,286	-14.5%
Marine Gear Transmission Equipment	**410,154**	350,417	17.0%
CNC Products	**142,127**	225,325	-36.9%
Diesel Engine Products	**127,718**	151,990	-16.0%
Total	**9,845,695**	8,147,338	20.8%

Revenue

The Group's sales revenue for 2015 was approximately RMB9,845,695,000, representing an increase of 20.8% as compared with last year. The increase was mainly due to the significant increase in orders from customers for wind power gear box products and our deliveries during the Period under Review. During the Period under Review, the average selling prices of wind power gear box equipment remained steady, and sales revenue of wind gear transmission equipment increased from approximately RMB5,801,985,000 last year to approximately RMB7,803,764,000 during the Period under Review, representing an increase of 34.5%.

During the Period under Review, the sales revenue from industrial transmission products was approximately RMB1,361,932,000, representing a decrease of 15.8% as compared with last year. The Group's sales revenue of marine gear transmission equipment amounted to approximately RMB410,154,000, representing an increase of 17.0% as compared with last year. During the Period under Review, the Group's sales revenue from CNC products and diesel engine products was approximately RMB142,127,000 and RMB127,718,000 respectively, representing a decrease of 36.9% and 16.0% as compared with last year respectively.

Gross profit margin and gross profit

The Group's consolidated gross profit margin for 2015 was approximately 32.5% (2014: 25.1%), representing an increase of 7.4 percentage point from last year. During the Period under Review, the consolidated gross profit amounted to approximately RMB3,198,021,000 (2014: RMB2,043,362,000), representing an increase of 56.5% from last year. The increases in both consolidated gross profit margin and consolidated gross profit were mainly due to the substantial increase in sales revenue of wind gear transmission equipment during the Period under Review, which also indicated that the Group reached the stage of economy of scale.

Other income, other gains and losses

The Group's other income for 2015 was approximately RMB326,462,000 (2014: RMB399,563,000), representing a decrease of 18.3% as compared with last year. Other income is mainly comprised of bank interest income, government grants and sales of scraps and materials.

During the Period under Review, other gains and losses recorded a net loss of approximately RMB154,418,000 (2014: RMB266,987,000), mainly comprised of impairment loss on intangible assets, impairment loss on property, plant and equipment, impairment loss on trade and other receivables, impairment loss on available-for-sale investments, gain on disposal of subsidiaries and foreign currency exchange gains.

Distribution and selling costs

The Group's distribution and selling costs for 2015 was approximately RMB392,555,000 (2014: RMB304,160,000), representing an increase of 29.1% as compared with last year. The costs were mainly product packaging, transportation expenses and staff costs. The percentage of distribution and selling costs to sales revenue for the Period under Review was 4.0% (2014: 3.7%), representing an increase of 0.3 percentage point as compared with last year.

Administrative expenses

The Group's administrative expenses for 2015 was approximately RMB612,333,000 (2014: RMB679,853,000), representing a decrease of 9.9% as compared with last year, which was mainly due to the decrease in maintenance fee and staff costs. The percentage of administrative expenses to sales revenue decreased by 2.1 percentage point to 6.2% as compared with last year.

Finance costs

The Group's finance costs for 2015 was approximately RMB643,270,000 (2014: RMB741,608,000), representing a decrease of 13.3% as compared with last year, which was mainly due to the decrease of bank loans.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2015, the equity attributable to owners of the Company amounted to approximately RMB9,759,102,000 (31 December 2014: RMB8,688,371,000). The Group had total assets of approximately RMB25,292,081,000 (31 December 2014: RMB25,299,504,000), which did not change much from that at the beginning of the year. Total current assets were approximately RMB17,311,275,000 (31 December 2014: RMB17,659,342,000), representing a decrease of 2.0% as compared with the beginning of the year and accounting for 68.4% of total assets (31 December 2014: 69.8%). Total non-current assets were approximately RMB7,980,806,000 (31 December 2014: RMB7,640,162,000), representing an increase of 4.5% as compared with the beginning of the year and accounting for 31.6% of the total assets (31 December 2014: 30.2%).

As at 31 December 2015, total liabilities of the Group were approximately RMB15,317,343,000 (31 December 2014: RMB16,429,402,000), representing a decrease of approximately RMB1,112,059,000, or 6.8%, as compared with the beginning of the year. Total current liabilities were approximately RMB13,214,731,000 (31 December 2014: RMB13,186,368,000), representing an increase of 0.2% as compared with the beginning of the year, whereas total non-current liabilities were approximately RMB2,102,612,000 (31 December 2014: RMB3,243,034,000), representing a decrease of 35.2% as compared with the beginning of the year.

As at 31 December 2015, the net current asset of the Group was approximately RMB4,096,544,000 (31 December 2014: RMB4,472,974,000), representing a decrease of approximately RMB376,430,000, or 8.4%, as compared with the beginning of the year.

As at 31 December 2015, total cash and bank balances of the Group were approximately RMB6,280,513,000 (31 December 2014: RMB5,503,305,000), representing an increase of approximately RMB777,208,000, or 14.1%, as compared with the beginning of the year. The cash and bank balances include pledged bank deposits of RMB2,403,640,000 (31 December 2014: RMB2,756,201,000), and structured bank deposits of RMB1,755,000,000 (31 December 2014: RMB1,097,399,000).

As at 31 December 2015, the Group had total borrowings of approximately RMB7,566,320,000 (31 December 2014: RMB10,938,771,000), representing a decrease of approximately RMB3,372,451,000, or 30.8%, as compared with that at the beginning of the year, of which borrowings within one year were RMB5,618,194,000 (31 December 2014: RMB7,971,209,000), accounting for approximately 74.3% (31 December 2014: 72.9%) of the total borrowings. The fixed or floating interest rates of the Group's borrowings for 2015 ranged from 1.48% to 9.77% per annum.

Taking into account of the internal financial resources of and the banking facilities available to the Group, and the net current asset of RMB4,096,544,000, the Directors believe that the Group will have sufficient capital to meet its working capital requirements and foreseeable capital expenditure.

Gearing ratio

The Group's gearing ratio (defined as total liabilities as a percentage of total assets) decreased from 64.9% as at 31 December 2014 to 60.6% as at 31 December 2015, due to the decrease of bank loans.

Capital structure

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

The Group's loans and cash and cash equivalents were mainly denominated in Renminbi, Hong Kong dollars and U.S. dollars. The Group's bank borrowings denominated in Hong Kong dollars and U.S. dollars as at 31 December 2015 amounted to approximately HKD294,456,000 and USD72,790,000 respectively.

During the Period under Review, the Group's borrowings with fixed interest rates to total borrowings was approximately 86.7%.

PROSPECTS

In 2015, China's economy has entered a period of "New Normal". Although the economic growth has slowed down, the economic structure has been optimized, which contributed to a steady and soft landing of the growth impetus and also laid a solid foundation for the development under the "Thirteenth Five-Year Plan". 2016 is the beginning year for the "Thirteenth Five-Year Plan". Under the plan, the main task programme in the principal of "De-capacity" and "De-stocking" would generate new supply and demand for China's economy, thus facilitating industry transformation and upgrading. It is expected that the reform of China' s macro economy in 2016 will dive in the key stage during the period of "New Normal", and the progress of the depth adjustment will become increasingly obvious.

The year of 2015 has passed, and looking ahead in 2016, the preparation of energy planning under the "Thirteenth Five-Year Plan" has entered into the essential stage. It is expected the goal of installed wind power capacity with over 150GW will be achieved soon. With the accelerated implementation of ultra-high voltage power transmission projects in the future, the demand for wind power will increase significantly. As a leading supplier of wind power transmission equipment in China, benefiting from the gradually enhanced market shares and the rapid increase of orders from international customers, the shipments of wind power gear boxes of the Company will increase steadily. Meanwhile, without any additional production capacity, the scale effects will emerge, thus continuously increasing its cost competitiveness. Furthermore, given that the PRC will put more efforts to enhance the efficiency of wind power plants, the integration of equipment manufacturing market will speed up, and equipment manufacturers with core technical advantages and excellent business structures are expected to stand out from this wave of industry upgrading.

In the future, by capitalizing on the national wind power development strategy, the Group will actively facilitate research and development of wind power transmission equipment and optimized the production technical process to strengthen the development of wind power equipment business. During the Period under Review, the Group has carried a global vision while maintaining its leading domestic market shares, and established good cooperative relationship with international wind turbine manufacturers, including GE Energy, Nordex, Vestas, Senvion, Hitachi, Alstom Wind, Unison, Inox Wind and Suzlon, which has contributed to the expanding business coverage and greatly enhanced recognition from overseas customers. In 2016, a small batch of products will be delivered for field testing, and the relevant cooperation advances smoothly, and it is expected orders will achieve breakthrough growth in 2017. Meanwhile, the Group will continue to introduce its integrated quality services covering products, maintenance, technical support and sales to overseas customers through its wholly-owned subsidiaries located in America, Germany, Singapore and Canada. In the future, we will focus on the development of the global market, expanding our global business operations. It is expected that the strategic goal of 50% contribution by domestic customers and remaining 50% by overseas customers to the sales revenue from wind power business segment will be realized within the next five years.

During the Period under Review, in 2015, the Group actively reformed development direction of industrial gear transmission equipment business and carefully stripped off some non-core businesses in order to improve the overall business operation. In the future, the Group will continue its optimized development strategy and continue to increase and enhance its industrial gear business without increasing its capital expenditure. In the sector of marine gear transmission equipment business, the Group will actively seek for cooperation opportunities with large domestic and foreign shipping companies, make continuous improvement on the structure and performance of its existing marine products, timely develop gear products which meet the latest market demands, maintain its leading position as one of the largest manufacturers of ship propulsion system in the PRC and the only manufacturer of marine supplementary products in the PRC capable of providing global shipment and global warranty services. The Company is planning to strip its non-core loss-making businesses such as part of the machine tools and diesel engines at present and will closely pay attention to the prospect of LED sapphire substrate business and strive to develop this business on schedule in the future.

Looking ahead in 2016, given that the wind power industry will enter into a "New Normal" of stable growth in the future and the Group's future strategy becomes clearer, the Company will continue to focus on high value-added products and services for high-end markets and high-end customers while persisting in strict product quality standards to enhance production efficiency, and therefore we are very optimistic that our production cost will remain competitive in the future. We believe that by leveraging our excellent business structure and effective management and executive capacity, the Group will continue to lead the industry development, making the core business growth of the Company to hit a new record high.

PLEDGE OF ASSETS

Save as disclosed in note 41 to the consolidated financial statements, the Group has made no further pledge of assets as at 31 December 2015.

CONTINGENT LIABILITIES

Save as disclosed in note 44 to the consolidated financial statements, as at 31 December 2015, the Directors were not aware of any other material contingent liabilities.

COMMITMENTS

As at 31 December 2015, the Group had expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment and land use right, and outstanding commitments payable under non-cancellable operating lease in respect of rented land and premises of approximately RMB292,816,000 and RMB3,951,000 respectively (31 December 2014: RMB536,465,000 and RMB9,654,000). Details are set out in notes 40 and 42 to the consolidated financial statements respectively.

FOREIGN EXCHANGE RISK

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

The Group's bank borrowings denominated in Hong Kong dollars and U.S. dollars as at 31 December 2015 amounted to approximately HKD294,456,000 and USD72,790,000 respectively. Therefore, the Group may be exposed to certain foreign exchange rate risks.

The net gain of foreign exchange recorded by the Group during the Period under Review was approximately RMB22,961,000 (2014: a net loss of RMB32,139,000), including benefit from our export business denominated in U.S. dollars due to the depreciation of Renminbi against U.S. dollars during the Period under Review. In light of the above, the Group will actively manage the net amount of foreign currency assets and liabilities by formulating foreign currency control measures and strategies, with a view to reducing its exposures to exchange risks in 2016.

INTEREST RATE RISK

During the Period under Review, the loans of the Group are mainly sourced from bank borrowings and medium-term notes. Therefore, the benchmark lending rate announced by the People's Bank of China, the LIBOR and HIBOR will have a direct impact on the Group's cost of debt and future changes in interest rate will also have certain impacts on the Group's cost of debt. The Group will strive to reduce the finance cost by actively monitoring the changes in credit policies, taking pre-emptive actions, strengthening capital management and expanding financing channels.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group employed approximately 8,676 employees (31 December 2014: 8,768). Staff cost of the Group for 2015 amounted to approximately RMB1,422,150,000 (2014: RMB1,231,354,000). The cost included basic salaries, discretionary bonus and staff benefits such as medical and insurance plans, pension scheme, unemployment insurance plan, etc.

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

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

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

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

PENSION SCHEME

The employees of the Group are members of state-managed pension scheme operated by the local government in China. The Group is required to contribute a specific percentage of their payroll costs to the pension scheme for the funding of the scheme. The sole responsibility of the Group in respect of this pension scheme is making specific contribution to this scheme. Details are set out in note 43 to the consolidated financial statements.

CHANGE OF AUDITOR

The Company did not change its auditor in the past three years.

SIGNIFICANT INVESTMENT HELD

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

MATERIAL ACQUISITION AND DISPOSAL

On 20 January 2015, the Company's wholly-owned subsidiary, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. (南京高精傳動設備製造集團有限公司) ("**Nanjing Drive**" or "**NGC**") entered into the Disposal Agreement with 南京金果投資合夥企業 (Nanjing Jinguo Investment Partnership)*, a limited partnership established in the PRC (the "**Purchaser**"), pursuant to which NGC agreed to sell or procure the sale to the Purchaser's nominee (NGC agreed to sell and procure the sale of its 60% interest and the 20% interest held by three minority shareholders in Zhong-Chuan Heavy Duty Equipment Co., Ltd. (中傳重型裝備有限公司) ("**ZC Heavy Equipment**") and the Purchaser agreed to procure the purchase of the 80% interest in ZC Heavy Equipment and the 100% interest in Nanjing Gaote Gear Box Manufacturing Co., Ltd. (南京高特齒輪箱製造有限公司) for an aggregate consideration of RMB500 million, of which RMB50 million shall be vested in the three minority shareholders mentioned above. In addition, the Purchaser shall repay or procure the repayment of a debt of RMB1 billion to NGC. After the disposal, the Company will hold 8% interest in ZC Heavy Equipment and ZC Heavy Equipment will therefore no longer be a subsidiary of the Company. Details are set out in the Company's announcement dated 21 January 2015 and note 16 to the consolidated financial statements.

On 24 December 2015, China Transmission Holdings Limited (中傳控股有限公司) ("**China Transmission Holdings**"), a wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement ("**Equity Transfer Agreement**") with Decan New Energy Industry Investment Limited (達勤新能源產業投資有限公司) ("**Decan New Energy**"). Details are set out in the section of "Connected Transactions" on page 40 of the Annual Report.

Save as disclosed above, during the Period under Review, there was no material acquisition or disposal of subsidiaries and associated companies.

In addition, on 14 March 2015, Nanjing High Speed, a subsidiary of the Company, entered into an agreement (the "**Land Resumption Agreement**") with Jiangning Land Purchase and Reserve Centre and Nanjing Jiangning Science Park Development Company Limited (collectively refer to the "**Jiangning Government**"). Pursuant to the Land Resumption Agreement, Nanjing High Speed would return and the Jiangning Government would resume the land on which one of the plants currently owned by Nanjing High Speed is located (the "**Resumed Land**") by the end of 2016 at a compensation of RMB1.3 billion (before deducting relevant expenses). The compensation amount would be payable by three instalments, with the first instalment of RMB300 million payable on or before 25 March 2015, the second instalment of RMB400 million payable on or before 30 September 2015, and the last instalment of RMB600 million payable when the Resumed Land, subsequent to the resumption by the Jiangning Government, are successfully sold by auction. For details, please refer to the Company's announcement dated 8 April 2015 and note 52 to the consolidated financial statements.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

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

* *For identification purpose only*

DIRECTORS AND SENIOR MANAGEMENT

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

EXECUTIVE DIRECTORS

Mr. Hu Yueming, aged 66, is the Chairman, Chief Executive Officer, executive Director and Chairman of the Nomination Committee of the Company. Mr. Hu is a university graduate and was graduated from Fudan University majoring in laser technology in 1977. Mr. Hu is a senior engineer. He has more than 30 years of experience in the management of machinery and industrial enterprises and has served as the head of various state-owned enterprises such as Nanjing Engineering Equipment Factory (南京工藝裝備廠) and general manager of various foreign invested enterprises including Nanjing Atlas Copco Construction Machinery Ltd. He has extensive experience in enterprise management. In 1998, he became the general manager of Nanjing High Speed Gear Factory. He has been the chairman and the general manager of NGC, the subsidiary of the Group, since March 2007. Mr. Hu also holds directorship in certain subsidiaries (see the note below) and associates of the Group. Mr. Hu is an expert on mechanical transmission equipment technology and business management. He is also the vice president of the China New Energy Generation Network (中國新能源發電網), a council member of China General Machine Components Industry Association (中國機械通用零部件工業協會), the vice chairman of Gear Manufacturers Association (齒輪專業協會) of China General Machine Components Industry Association (中國機械通用零部件工業協會) and chairman of Nanjing Renewable Energy Association (南京可再生能源協會). He has been awarded the "National May 1 Labour Medal" (全國五一勞動獎章) and title of "The 4th Outstanding Entrepreneur of the Machinery Industry" (第四屆全國機械工業明星企業家). He is also one of the members of the group of major shareholders of the Company (the "Management Shareholders").

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

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Yongdao, aged 53, is an executive Director and a member of the Remuneration Committee of the Company. Mr. Chen is a university graduate. He obtained a bachelor's degree from Jiangsu Institute of Technology majoring in metal material and heat treatment in 1983 and a master's degree from Nanjing University of Science and Technology majoring in engineering in 2007. He is a senior engineer. He served as the deputy head of the inspection and gauging section, head of the production allocation section of the factory and deputy general manager of Nanjing High Speed Gear Factory. He has become a director and the deputy general manager of NGC since March 2007. Mr. Chen also holds directorship in certain subsidiaries of the Group, namely Nanjing High Accurate, Nanjing High Speed, Nanjing Marine, Dongalloy, Ningkai, Nantong Diesel, Zhenjiang Tongzhou Propeller Co., Ltd. ("Zhenjiang Tongzhou"), China Transmission Holdings and NGC Marine Propulsion Southeast Asia Ptd. Ltd. ("NGC Marine"). He is also the general manager of Nanjing Marine. Mr. Chen is an expert on heat treatment of metal material and has engaged in the research, design and development of mechanical transmission equipment production techniques, gauging and inspection of mechanical transmission equipment and enterprise management for over 30 years. He has received a number of awards for the achievement of his research on mechanical transmission equipment production techniques. He is also one of the Management Shareholders.

Mr. Liao Enrong, aged 55, is an executive Director and an authorised representative of the Company. Mr. Liao is a postgraduate. He graduated from Anhui Institute of Technology with a bachelor's degree majoring in metal material and heat treatment in 1984. He also attended and finished courses of investment economics in the Graduate School of the Chinese Academy of Social Sciences. He is a senior engineer. He has served as deputy head and head of the workshop, head of the technological reform section, deputy chief engineer, head of the enterprise management section, assistant to general manager of Nanjing High Speed Gear Factory. Mr. Liao has been a director and deputy general manager of NGC since March 2007. Mr. Liao also holds directorship in certain subsidiaries of the Group, namely Nanjing High Accurate, Nanjing High Speed, Dongalloy, Ningkai, Nanjing Marine, Ninghongjian, Gaochuan Sky, NGC (US) and China Transmission Holdings. Mr. Liao has experience in the heat treatment of metal material and has engaged in technology, investment and enterprise management for more than 30 years. He is also one of the Management Shareholders.

Mr. Gou Jianhui, aged 53, is an executive Director of the Company. He is a holder of Ph. D. degree in Engineering. He graduated from Harbin Institute of Technology and obtained a Bachelor's degree in Engineering and a Master's degree in Engineering in 1982 and 1986 respectively. He obtained a Ph. D. degree in Engineering from Technical University of Braunschweig in 1997. He held a various positions at Harbin Institute of Technology, including a teacher of School of Mechatronics Engineering, the person-in-charge of Germany FAG China Project, managing director and chief technical officer of FAG Hong Kong Project as well as chief representative of its Beijing Representative Office, the managing director and president of Industrial Division of Schaeffler Greater China. He has received the honorary title of one of "Most Influential Leaders" in automation, logistics, driver fields of China and awarded one of "Asian Brand Management Luminaries". Doctor Gou joined the Group in May 2013 and is the vice general manager of NGC and general manager of Nanjing High Speed.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Zhengbing, aged 44, is an executive Director of the Company. He is a holder of university degree. He graduated from Zhejiang University and obtained a Bachelor's degree in Mental Material & Heat Treatment in 1993 and a Master's degree in Engineering in Nanjing University of Science and Technology in 2011 as a senior engineer. Mr. Wang has joined Nanjing High Speed Gear Factory since August 1993 and held various positions, including deputy director and director of the workshop since January 1999. He has served as the vice general manager of Nanjing High Speed since July 2003.

Mr. Zhou Zhijin, aged 43, is an executive Director of the Company. He graduated from Nanjing Industrial School in 1991 and joined Nanjing High Speed Gear Factory in August 1991. Mr. Zhou was appointed as vice director of personnel department in January 1999. He was promoted as deputy director of human resource department in September 2001. He served as the assistant to general manager of Nanjing High Speed and office head since July 2003. He has served as the vice general manager of Nanjing High Speed since July 2006.

Mr. Hu Jichun, aged 36, is an executive Director of the Company. He is a holder of postgraduate degree. Mr. Hu graduated from Shanghai University in Control Theory and Control Engineering and obtained a Master's degree in Engineering in 2004. Mr. Hu served as the vice general manager of Nanjing E-crystal Energy Co., Ltd. in January 2012 and the vice general manager of Nanjing Jingjing since August 2012. Mr. Hu Jichun is the son of Mr. Hu Yueming, the Chairman, the Chief Executive Officer and an executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jiang Xihe, aged 57, is an independent non-executive Director, Chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee of the Company. He is a Doctor in accountancy. He graduated from the Central University of Finance and Economics (中央財經大學) majoring in accountancy in June 1990. He obtained professional accounting qualification recognized in the PRC in July 1999. He is also a member of the Chinese Institute of Finance and Cost for Young & Mid-career professionals as well as a member of the Hong Kong International Accounting Association and a standing member of Jiangsu Accounting Association. He is currently a professor at the Faculty of Accounting and Financial Management of Nanjing Normal University (南京師範大學), head of Accounting and Financial Development Research Centre of Nanjing Normal University (南京師範大學) and the party committee secretary of Jinling Girl's College, Nanjing Normal University (南京師範大學). Mr. Jiang joined the Company on 8 June 2007 as independent non-executive Director. He is also an independent non-executive director of Hongbaoli Group Co., Ltd., a company listed on the Shenzhen Stock Exchange, and Hongda Xingye Co., Ltd., a company listed on the Shenzhen Stock Exchange.

Mr. Zhu Junsheng, aged 76, is an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee of the Company. He graduated from Nankai University in 1964. He engaged in technological development of the aviation industry from 1964 to 1984 and renewable energy management in government authorities from 1984 to 2000. Mr. Zhu is currently a vice president of the Chinese Renewable Energy Society, director of the Renewable Energy Professional Committee of the China Association of Resource Comprehensive Utilisation, honorary president of the wind machinery branch of the Chinese Farm Machinery Industrial Association and an executive member of the China Energy Research Society. He has extensive experience in the renewable energy industry, one of the markets that the Company strives to develop for its products. Mr. Zhu joined the Company on 8 June 2007 as independent non-executive Director.

Mr. Chen Shimin, aged 57, is an independent non-executive Director, a member of the Audit Committee and the Chairman of the Remuneration Committee of the Company and holder of Ph. D. degree in Accounting. Mr. Chen graduated from Shanghai University of Finance and Economics and obtained a bachelor's degree and a master's degree in economics in 1982 and 1985 respectively. He also obtained a doctoral degree majoring in accounting from the University of Georgia, the United States, in 1992. He is a management accountant registered in the United States, member of the Institute of Management Accountants of the United States and the American Accounting Association of the United States. He is currently a professor of accounting, deputy dean of academic affairs of, and head of School of Master of Bussiness Management at China Europe International Business School. He is also a guest professor and Ph.D. supervisor of the School of Accounting, Shanghai University of Finance and Economics. He has extensive education and research experience in domestic and overseas financial accounting and management accounting. He taught in a number of universities in the PRC and overseas, including Shanghai University of Finance and Economics, Lingnan University in Hong Kong, Hong Kong Polytechnic University, Clarion University of Pennsylvania and University of Lousiana at Lafayette. Mr. Chen has published numerous articles related to researches on accounting in the PRC and the United States in renowned academic journals of the PRC and overseas. He was awarded with a number of academic awards and hosted research seminars in the PRC and overseas. He is also a contributing author in Asian Accounting Handbook and Accounting and Auditing in the People's Republic of China. Since 2005, Mr. Chen has been an executive editor of China Accounting and Finance Review. Mr. Chen joined the Company on 8 June 2007 as an independent non-executive Director. Currently, Mr. Chen is an independent non-executive director of Shanghai Oriental Pearl (Group) Co., Ltd., a company listed on the Shanghai Stock Exchange, Hangzhou i-Cafe Information Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange, Sun.King Power Electronics Group Limited, a company listed on the Stock Exchange, Huafa Industrial Co.,Ltd. Zhuhai., a company listed on the Shanghai Stock Exchange, and Zhejiang Wolwo Bio-Pharmaceutical Co., Ltd., a company listed on the Shenzhen Stock Exchange and an external supervisor of Shanghai Pudong Development Bank, a company listed on the Shanghai Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Jiang Jianhua, aged 51, is an independent non-executive Director of the Company and holder of Ph. D. degree in Management. Ms. Jiang graduated from Shanghai University of Finance and Economics with a bachelor degree, majoring in international finance, in July 1986. From July 1996 to June 1999, she studied at Tianjin University of Finance and Economics and received a master degree of management. She studied and obtained a doctor degree of management from Nanjing Agricultural University from September 2006 to December 2008. From July 1986 to September 2013, she held various positions at Nanjing Audit University, including the head of finance teaching section, the assistant to department director, the deputy director of the finance department, the deputy dean of the finance school, the secretary of the Communist Party of China at the audit school, the dean of Nanjing Golden Audit School, a teaching assistant, lecturer, an associate professor and a professor at Nanjing Audit School. Ms. Jiang specialized in the areas of finance and accountancy and had written many articles and books and participated in a number research projects in these areas. She won several awards in relation to her academic and teaching excellence, including Candidate for Potential Young and Middle-aged Academic Leaders in the "Green and Blue Project" of Jiangsu Province, Candidate for Aspirants of "333 Project" of Jiangsu Province, Third Level. She joined the Company as an independent non-executive Director on 31 December 2012. Currently, Ms. Jiang serves as an independent director of Nanjing Yunhai Special Metals Co., Ltd, a company listed on the Shenzhen Stock Exchange.

SENIOR MANAGEMENT

Mr. Lui Wing Hong, Edward, aged 53, is a chief financial officer and company secretary and an authorised representative of the Company. He graduated from York University with a Bachelor of Arts degree majoring in business and economics. He further obtained a postgraduate diploma in financial management from the University of New England. Mr. Lui is a qualified accountant, associate member of the Australian Society of Certified Practising Accountants and a member fellow of Hong Kong Institute of Certified Public Accountants. Mr. Lui joined the Company in June 2006 and is responsible for the financial and accounting management and secretarial affairs of the Company. Mr. Lui is also a director of China Transmission Holdings, a subsidiary of the Group.

Ms. Zhou Jingjia, aged 52, is the financial controller of NGC. She graduated from Suzhou University majoring in accounting and is a member of the Chinese Institute of Certified Public Accountants and a qualified accountant. Ms. Zhou joined Nanjing Engineering Mechanical Plant in 1982 and became the deputy head of finance department in 1990. In 1994, Ms. Zhou joined the Nanjing Atlas Copco Construction Machinery Ltd. as the finance department manager. In January 2006, Ms. Zhou was transferred from Nanjing Altas Copco Construction Machinery Ltd. to Altas Copco (Nanjing) Construction and Mining Equipment Ltd. From 2004 to 2006, in addition to being the accounting department manager, Ms. Zhou was appointed as the regional manager of certain production companies of the Atlas Copco Group in China and was responsible for overseeing the accounting departments. Ms Zhou joined the Group in July 2006. She became the director of NGC in March 2007. Ms. Zhou also holds directorship in certain subsidiaries of the Group, including Nanjing High Accurate, Nanjing High Speed, Gaochuan Sky, Nantong Diesel, ZC Heavy Machine, AE&E Nanjing, NGC (US) and China Transmission Holdings.

DIRECTORS' REPORT

The Directors of the Company are pleased to present the Directors' report and the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company and the Group are principally engaged in production and sale of gear transmission equipment products. Details of the principal activities of the subsidiaries, associates and jointly controlled entities of the Company are set out in notes 51, 21 and 22 to the consolidated financial statements respectively. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 9 to 24 of the Annual Report. These discussions form part of this Directors' Report.

The Group is of the view that with the progress of economy and society, the Company is not only responsible for its business operation, but also responsible for environment. The Group values the environment and is committed to minimizing the carbon footprint arising from the Company's businesses in different ways, including (among others) by adopting new standards, new materials, new designs in project construction, improving the environmental awareness of employees, and also actively calling for our business partners to enhance environmental protection concept, with aims to enable the objective of environmental protection to penetrate into all levels of the Company's business.

The Group has complied with relevant PRC laws and regulations relating to environment, and has adopted the ISO14001 environment management system. The Company has strictly followed the environmental requirements and established relevant system to ensure legal treatment and disposal of various types of waste, and regularly submits environment statistics to relevant environmental protection authority. The Group conducts construction of new projects according to the latest national standards of environmental protection, engages design institute with Grade A qualification to design the environmental protection plans, and conscientiously implements the concept of "three concurrents", namely concurrent design, concurrent construction and concurrent acceptance, to ensure the principle of the problems encountered will be solved immediately, avoid repeating work and wasting resources, and reduce the unnecessary carbon emissions. In respect of past projects, the Company also put considerable human and financial resources to conduct inspections and improvements. During the Period under Review, the discharge and treatment of various types of waste of the Company met the relevant requirements of environmental protection authority.

Nanjing High Speed, our subsidiary, obtained the ISO14001 certification every year since 2008, passed the Environmental-Friendly Enterprise Assessment organized by Nanjing Environmental Protection Agency in the end of 2012 and passed the Clean Production Enterprise Assessment in the end of 2013. The Company established the duties of environmental protection for staff at all levels, and established emergency response plans for various types of environmental accidents and regularly conducts drills, to really penetrate the work of environmental protection into the Company's business. While our business grows, we will minimize the impact on environment.

The Group maintains good relationships with our clients and suppliers. As for human resources, in order to protect the interest and benefit of our staff, staff were participated in the social protection system established and administered by government authorities according to the regulations in PRC. The Group have contributed the social insurance contribution (including basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance) and housing provident fund.

The Company has established and implemented a human resources policy that is beneficial to our sustainable development. We consider code of ethics and professional abilities as an important criteria for staff employment and promotion. We practically reinforced staff training and continuous education, built up a rotation and interaction system and developed comprehensive knowledge and skill of professionals so as to constantly improve the quality of staff. We focus on development opportunity of internal staff when appointing and selecting outstanding talents. We deem the continuous training of professional manager team with high level of professionalism, enthusiasm and responsibility as an important mission of our development.

At the company level, the Group has complied with the requirements of the Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Securities and Futures Ordinance ("**SFO**"), including information disclosures and corporate governance, the Group has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "**Model Code**").

KEY RISKS AND UNCERTAINTIES

Apart from the risk of foreign exchange rate fluctuation and interest rate risk set out in the Management Discussion and Analysis on page 22 of the Annual Report, the following section lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, the Annual Report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

The Group sells wind gear transmission equipment to our customers who are wind turbine manufacturers, and then they provide wind power to wind energy companies which rely on local grid companies to offer connection, transmission and dispatch services and to purchase the electricity they generate. If these wind energy companies fail to establish effective connection with the power grid or sell the electricity they generate, the demand for our wind gear transmission equipment could decrease, and therefore our business operations may be adversely affected.

The commercial feasibility and profitability of the wind gear transmission equipment business of the Group is significantly dependent on the PRC government's policies and regulatory framework supporting renewable energy development. However, the PRC government may change or abolish such policies and regulatory framework.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no important events occurred subsequent to 31 December 2015.

OPERATING RESULTS AND APPROPRIATIONS

The operating results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 53 and 54 in the consolidated financial statements.

The Board recommends the payment of a final dividend of HKD0.23 (tax inclusive) per share for the year ended 31 December 2015 and proposes that the remaining profit for the year be retained. The Company will make separate announcement in respect of the record date of final dividend distribution and date of closure of register of members.

DISTRIBUTABLE RESERVE

The distributable reserve of the Company as at 31 December 2015 was approximately RMB5,027,848,000 (2014: RMB4,957,016,000).

FIVE-YEAR FINANICAL SUMMARY

The summary of business result and assets and liabilities of the latest five financial years of the Group are set out on page 5 of the Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended 31 December 2015 are set out in note 17 to the consolidated financial statement.

SHARE CAPITAL

Details of the registered and issued share capital of the Company are set out in note 38 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as set out on pages 34 to 36 of the Annual Report, no equity-linked agreements were entered into by the Group or existed during the Period under Review.

BORROWINGS

Details of the borrowings of the Group are set out in note 33 to the consolidated financial statements.

TAXATION

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

DONATION EXPENDITURE

During the Period under Review, the donation expenditure of the Group was approximately RMB423,000 (2014: RMB268,000).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

In November 2014, the Company issued 8.3% bonds due 19 November 2017 of a total principal amount of RMB650,000,000 with a listing on the Stock Exchange. On 12 November 2015, the Company offered a cash redemption of any and all of the bonds which were outstanding. As at 8 December 2015, the Company repurchased bonds with a total principal amount of RMB322,370,000 (the "**Accepted Bonds**") and cancelled them afterwards. The Company paid a total consideration of RMB322,956,890.04 for the repurchase of the Accepted Bonds. The repurchase offer was a part of the Company's balance sheet management with an aim to reduce outstanding liabilities of the Group, manage its leverage and optimize its capital structure. During the Period under Review, the Group repurchased bonds with a total principal amount of RMB385,370,000 at a total consideration of approximately RMB384,650,000. As at 31 December 2015, the bonds remained outstanding had a principal amount of RMB264,630,000.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities for the year ended 31 December 2015.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 8 June 2007 pursuant to the written resolutions of all shareholders of the Company (the "**Share Option Scheme**"). Share options do not confer rights to the holders to receive dividends or vote at shareholder's meetings.

A summary of the Share Option Scheme disclosed pursuant to the Listing Rules is as follows:

	Share Option Scheme
Purpose of the Share Option Scheme	The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions of the eligible participants who have had or may have made to the Group. The Share Option Scheme will provide the eligible participants with an opportunity to have a personal stake in the Company with the view to (i) motivating the eligible participants to optimize their performance and efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.
Participants of the Share Option Scheme	Eligible participants can be any of the following classes of persons or entities: (i) any full-time or part-time employee, executive or officer of the Company or any of its subsidiaries; (ii) any director (including non-executive director and independent non-executive director) of the Company or any of its subsidiaries; (iii) any adviser, consultant, supplier, customer and agent of the Company or any of its subsidiaries; and

	(iv) such other persons who, in the opinion of the Board, will contribute or have contributed to the Group. Their assessment criteria are: – contribution to the development and performance of the Group; – quality of work performed for the Group; – initiative and commitment in performing his/her duties; and – length of service or contribution to the Group.
Total number of shares available for issue under the Share Option Scheme and percentage of the issued shares as at the date of the Annual Report	As at the date of the Annual Report, the Company had granted share options to subscribe for 12,000,000 shares in the Company under the Share Option Scheme. The total number of shares available for issue under the Share Option Scheme is 108,000,000 shares, representing approximately 6.60% of the total number of issued shares in the Company as at the date of the Annual Report.
Maximum entitlement of each participant under the Share Option Scheme	The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding options and shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the share in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to approval by shareholders.
The period within which the shares must be taken up under an option	Options granted must be taken up within 12 months from the date of grant.
The minimum period (if any) for which an option must be held before it can be exercised	The exercise period of share options shall be determined by the Board, but shall not be more than ten years from the date of grant of share options.

The amount payable on application or acceptance of share options and the period within which payments or calls must or may be made or loans for such purposes must be paid	HKD1 shall be paid for each share option on or before the relevant date of acceptance of share options.
The basis of determining the exercise price	The exercise price is determined by the Board, and must be at least the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.
The remaining life of the Share Option Scheme	The Share Option Scheme shall expire on 8 June 2017.

The Company did not issue any share option during the Period under Review. As at 31 December 2015, the Company had no outstanding share option.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2015, the purchase amount (not of a capital nature) from the Group's top five suppliers accounted for less than 30% of our total purchase amount.

Revenue from sales of goods to the Group's top five customers and the largest customer accounted for 61.3% and 22.2% of our total revenue from sales of goods during the year ended 31 December 2015, respectively. All transactions between the Group and relevant customers were carried out on normal commercial terms. To the best knowledge of the Directors, none of Directors and any shareholders holding over 5% of the Company's shares and their close associates (within the meanings of the Listing Rules) had any interests in the top five customers during the Period under Review.

DIRECTORS' SERVICE CONTRACTS

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

Under the Cayman Companies Law, at every annual general meeting of the Company, no less than one-third of the Directors for the time being shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and eligible to the offer themselves for re-election. In addition, according to code provision A.4.3 of the Corporate Governance Code, if an independent non-executive Director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders.

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

DIRECTORS AND THEIR TERMS

Directors in office and their terms for the Period under Review and up to the date of the Annual Report were:

Executive Directors:

Mr. Hu Yueming	Three years from the date of his re-election on 26 June 2015
Mr. Chen Yongdao	Three years from the date of his re-election on 20 June 2014
Mr. Liao Enrong	Three years from the date of his re-election on 20 June 2014
Mr. Gou Jianhui	Appointed on 27 June 2015
Mr. Wang Zhengbing	Appointed on 27 June 2015
Mr. Zhou Zhijin	Appointed on 27 June 2015
Mr. Hu Jichun	Appointed on 27 June 2015
Mr. Lu Xun	Resigned on 27 June 2015
Mr. Li Shengqiang	Resigned on 26 June 2015
Mr. Liu Jianguo	Resigned on 20 October 2015
Mr. Jin Maoji	Resigned on 27 June 2015

Independent Non-Executive Directors:

Mr. Jiang Xihe	Three years from the date of his re-election on 20 June 2014
Mr. Zhu Junsheng	Three years from the date of his re-election on 26 June 2015
Mr. Chen Shimin	Three years from the date of his re-election on 21 June 2013
Ms. Jiang Jianhua	Three years from the date of his re-election on 26 June 2015

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

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

As at 31 December 2015, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange, pursuant to the Model Code contained in the Listing Rules.

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

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

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

As at 31 December 2015, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Name	Nature of interests	Number of securities held	Approximate percentages to the equity (%)
Fortune Apex Limited (Note 1)	Beneficial owner	458,073,024 (Long Position)	28.01 (Long Position)
Glorious Time Holdings Limited (Note 2)	Held by controlled corporation	148,562,000 (Long Position)	9.08 (Long Position)

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

Notes:

(1) As at 31 December 2015, Fortune Apex Limited owned 28.01% interest in the issued share capital of the Company. Messrs Hu Yueming, Liu Jianguo, Lu Xun, Chen Yongdao, Li Cunzhang*, Li Shengqiang, Liao Enrong, Jin Maoji, Yao Jingsheng, Chen Zhenxing, Zhang Xueyong, Xu Yong, Wang Zhengrong and Chen Liguo (collectively, the "Management Shareholders") together own 100% interest in the issued share capital of Fortune Apex Limited. The following table sets out the shareholdings of each of the Management Shareholders in Fortune Apex Limited:

	Name	Shareholdings
1	Mr. Hu Yueming (executive Director)	30.3813%
2	Mr. Liu Jianguo (resigned as an executive Director on 20 October 2015)	12.3989%
3	Mr. Lu Xun (resigned as an executive Director on 27 June 2015)	10.4520%
4	Mr. ChenYongdao (executive Director)	10.5343%
5	Mr. Li Cunzhang*	8.8945%
6	Mr. Li Shengqiang (resigned as an executive Director on 26 June 2015)	8.9725%
7	Mr. Liao Enrong (executive Director)	5.3422%
8	Mr. Jin Maoji (resigned as an executive Director on 27 June 2015)	5.9195%
9	Mr. Yao Jingsheng	2.5678%
10	Mr. Chen Zhenxing	0.9091%
11	Mr. Zhang Xueyong	1.1286%
12	Mr. Xu Yong	0.7376%
13	Mr. Wang Zhengrong	0.6792%
14	Mr. Cheng Liguo	1.0825%
	Total	100.0000%

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

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

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

Save as disclosed above and so far as the Directors are aware of, as at 31 December 2015, there was no other person, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

INTERESTS OF CONTROLLING SHAREHOLDERS IN CONTRACTS

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

CONNECTED TRANSACTIONS

On 24 December 2015, China Transmission Holdings, a wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with Decan New Energy. Pursuant to the Equity Transfer Agreement, China Transmission Holdings has agreed to sell, and Decan New Energy has agreed to purchase the 83.61% equity interest ("**Target Interests**") in Nanjing Gaochuan Electrical & Mechanical Auto Control Equipment Co., Ltd (南京高傳機電自動控制設備有限公司) ("**NGEM**") at a total consideration of approximately RMB77,500,000. NGEM is principally engaged in design, manufacturing and sale of mechanical and electrical equipment and automatic control systems. NGEM will no longer be a subsidiary of the Company upon completion of the disposal, but the Company will continue to hold 16.39% interest in NGEM. Mr. Liao Enrong ("**Mr. Liao**"), an executive Director of the Company, holds 5.34% equity interest in Fortune Apex Limited, which in turn holds 28.01% equity interest in the Company. Decan New Energy is wholly-owned by Mr. Liao and is therefore an associate of Mr. Liao. As NGEM mainly invests in capital intensive industry with comparably higher debt ratio and was loss-making, the Company considers it is in the Company's interest to dispose of the Target Interests, which allows the Group to devote more resources to its core business, namely the manufacturing and distribution of a broad range of mechanical transmission equipment used in wind power and a wide range of industrial applications. Apart from the minority interest in NGEM, the Group has no present intention to make other investment in the mechanical electrical business. For details, please refer to the Company's announcement dated 27 December 2015.

Save as disclosed above, the connected transactions set out in note 48 to the consolidated financial statements were not disclosable connected transactions under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure provisions under Chapter 14A of Listing Rules.

The Directors of the Company (including our independent non-executive Directors) believe that the related party transactions set out in the note 48 to the consolidated financial statements are carried out in the ordinary course of business and on normal commercial terms.

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in the execution of the duties of his/her office or in defending any proceedings, whether civil or criminal.

During the Period under Review, the Company has put in place appropriate insurance cover in respect of Directors' liability.

MANAGEMENT CONTRACTS

As at 31 December 2015, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

PRE-EMPTION RIGHTS

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

SUFFICIENT PUBLIC FLOAT

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

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Deloitte Touche Tohmatsu as our auditor for 2016.

MATERIAL LITIGATIONS AND ARBITRATIONS

During the Period under Review, the Group had no material litigations and arbitrations.

By order of the Board
Hu Yueming
Chairman

Hong Kong, 18 March 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the code provisions set out in the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2015 except for the deviation from code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual and deviation from code provision A.6.7 which states that independent non-executive Directors should attend general meetings of shareholders of the Company.

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

The Company's Chairman and Chief Executive Officer, most of the independent non-executive Directors, Chairman of the Audit Committee, Chairman of the Remuneration Committee, Chairman of the Nomination Committee and external auditors have attended the 2014 Annual General Meeting, except Mr. Zhu Junsheng, the independent non-executive Director, who was absent from the 2014 Annual General Meeting due to other important matters.

CORPORATE STRATEGY AND BUSINESS MODEL

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

COMPOSITION AND PRACTICES OF THE BOARD

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

COMPOSITION AND PRACTICES OF THE BOARD *(Continued)*

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

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

	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	2014 Annual General Meeting
No. of meetings held	5	2	2	2	1
Executive Directors					
Mr. Hu Yueming *(Chairman and Chief Executive Officer)*	5/5			2/2	1/1
Mr. Chen Yongdao*	5/5		0/0		0/1
Mr. Liao Enrong	5/5				1/1
Mr. Gou Jianhui *(Appointed on 27 June 2015)*	2/5				N/A
Mr. Wang Zhengbing *(Appointed on 27 June 2015)*	2/5				N/A
Mr. Zhou Zhijin *(Appointed on 27 June 2015)*	2/5				N/A
Mr. Hu Jichun *(Appointed on 27 June 2015)*	2/5				N/A
Mr. Lu Xun *(resigned on 27 June 2015)*	3/5				0/1
Mr. Li Shengqiang *(resigned on 26 June 2015)*	2/5				0/1
Mr. Liu Jianguo *(resigned on 20 October 2015)**	0/5		0/2		0/1
Mr. Jin Maoji *(resigned on 27 June 2015)*	3/5				0/1

COMPOSITION AND PRACTICES OF THE BOARD *(Continued)*

	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	2014 Annual General Meeting
Independent Non-Executive Directors					
Mr. Jiang Xihe	5/5	2/2	2/2	2/2	1/1
Mr. Zhu Junsheng	5/5	2/2		2/2	0/1
Mr. Chen Shimin	5/5	2/2	2/2		1/1
Ms. Jiang Jianhua	5/5				1/1

* *Mr. Chen Yongdao was appointed as a member of the remuneration committee of the Company with effect from 27 June 2015 in place of Mr. Liu Jianguo.*

The details of the biographies of each of Directors are set out on pages 25 to 29 of "Directors and Senior Management" in the Annual Report.

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The service term of independent non-executive Director is:

Mr. Jiang Xihe	Three years from the date of his re-election on 20 June 2014
Mr. Zhu Junsheng	Three years from the date of his re-election on 26 June 2015
Mr. Chen Shimin	Three years from the date of his re-election on 21 June 2013
Ms. Jiang Jianhua	Three years from the date of her re-election on 26 June 2015

EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

The five highest paid individuals of the Group for the Period under Review are all Directors, details of their emoluments by band are set out in note 14 to the consolidated financial statements.

The emoluments of the senior management of the Group (other than the Directors) whose profiles are included in the "Directors and Senior Management" section of the Annual Report were within the following bands:

	No. of employees
RMB2,000,001 to RMB3,000,000	2

REMUNERATION COMMITTEE

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

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

During the Period under Review, the remuneration committee held two meetings, which made proposals on the remuneration of Directors and senior management. The attendance record of each member of every committee was set out in the section entitled "Composition and Practices of the Board" on pages 43 to 44 of the Annual Report.

NOMINATION COMMITTEE

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

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

During the Period under Review, the nomination committee held two meetings to review the structure, number, composition and policy for diversity on the Board in respect of the Company's corporate strategy. The Company has adopted the board diversity policy on 1 September 2013 and strives to select the most appropriate candidates to be appointed as a member of the Board. The nomination committee considered an appropriate balance of diversity perspectives of the Board is maintained and neither the Board nor the nomination committee has set any measurable objective implementing the Board diversity policy. When identifying suitable candidates for directorship, the nomination committee will carry out the selection process by making reference not only to the skills, experience, education background, professional knowledge, personal integrity and time commitments but also the gender, age, cultural background and ethnicity of the proposed candidates. The attendance of member of each committees set out in the section entitled "Composition and Practices of the Board" on pages 43 to 44 of the Annual Report.

AUDIT COMMITEE

The Company established the audit committee on 8 June 2007 with written terms of reference updated on 29 December 2015 which have been adopted for the purpose of reviewing and providing supervision on the financial reporting process, risks management and internal controls of the Company as well as nominating and supervising the external auditor and offering advice and recommendations to the Board of the Company.

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

During the Period under Review, the audit committee held two meetings to (i) review the 2015 reports from the management and internal audit department, and review the annual report for the year 2014 and the interim report for the year 2015 of the Group and report the review conclusions to the Board; (ii) review the independence of external auditors; and (iii) consider and approve the external auditor's fees and the letter of appointment for the year 2015. The attendance record of each member of every committee was set out in the section entitled "Composition and Practices of the Board" on pages 43 to 44 of the Annual Report.

The Annual Report had been reviewed by the audit committee.

CORPORATE GOVERNANCE FUNCTION

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

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code set out in the Model Code as its internal code of conduct regarding Directors' securities transactions. The Company has made specific enquiries of all Directors and all Directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2015.

COMPANY SECRETARY

Mr. Lui Wing Hong, Edward, company secretary, is responsible for facilitating the procedures of the Board and the communication among Directors, and between Directors and shareholders and the management. The biography of the company secretary is set out on page 29 of "Directors and Senior Management" in the Annual Report. During the year 2015, the company secretary received in aggregate more than 15 hours professional trainings to update his skills and knowledge.

INDUCTION TRAINING AND DEVELOPMENT

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

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

During the Period under Review, the individual training record of each Director was set out as follows:

	Readings on updates and materials on business, operation and/or corporate governance affairs	Lectures/seminars on business/ director's responsibilities attended or participated
Executive Directors		
Mr. Hu Yueming *(Chairman and Chief Executive Officer)*	✓	✓
Mr. Chen Yongdao	✓	✓
Mr. Liao Enrong	✓	✓
Mr. Gou Jianhui *(Appointed on 27 June 2015)*	✓	✓
Mr. Wang Zhengbing *(Appointed on 27 June 2015)*	✓	✓
Mr. Zhou Zhijin *(Appointed on 27 June 2015)*	✓	✓
Mr. Hu Jichun *(Appointed on 27 June 2015)*	✓	✓
Mr. Lu Xun *(resigned on 27 June 2015)*	✓	✓
Mr. Li Shengqiang *(resigned on 26 June 2015)*	✓	✓
Mr. Liu Jianguo *(resigned on 20 October 2015)*	X	X
Mr. Jin Maoji *(resigned on 27 June 2015)*	✓	✓
Independent Non-Executive Directors		
Mr. Jiang Xihe	✓	✓
Mr. Zhu Junsheng	✓	✓
Mr. Chen Shimin	✓	✓
Ms. Jiang Jianhua	✓	✓

REMUNERATION OF AUDITOR

For the year ended 31 December 2015, the fees payable by the Group to Deloitte Touche Tohmatsu for their statutory audit services amounted to approximately RMB4,000,000 (2014: RMB4,000,000). The non-audit service fees included the fees for the following services:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Tax services	**220**	220
Review of interim results	**1,330**	1,330
	1,550	1,550

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORTS

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

Reporting responsibility statement with respect to the financial reports of the Group made by the auditor of the Company is set out in the Independent Auditor's Report on pages 51 to 52 in the Annual Report.

INTERNAL CONTROL

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

The audit committee has reviewed the reports for 2015 made by the management and the internal audit department, and reported its review conclusions to the Board.

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

CONSTITUTIONAL DOCUMENTS

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

SHAREHOLDERS' RIGHTS

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

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

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

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

Contact details of the Company Secretary are as follows:

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

Deloitte.
德勤

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

We have audited the consolidated financial statements of China High Speed Transmission Equipment Group Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 162, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial positions of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Revenue	7	**9,845,695**	8,147,338
Cost of sales		**(6,647,674)**	(6,103,976)
Gross profit		**3,198,021**	2,043,362
Other income	8	**326,462**	399,563
Other gains and losses	9	**(154,418)**	(266,987)
Distribution and selling costs		**(392,555)**	(304,160)
Administrative expenses		**(612,333)**	(679,853)
Research and development costs		**(330,688)**	(167,482)
Finance costs	10	**(643,270)**	(741,608)
Share of results of associates		**(56,945)**	(5,686)
Share of results of joint ventures		**12,926**	29,458
Profit before taxation		**1,347,200**	306,607
Taxation	11	**(344,303)**	(130,925)
Profit for the year	13	**1,002,897**	175,682
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**307**	41
Impairment loss on available-for-sale financial assets reclassified to profit or loss		**36,468**	—
Fair value (loss) gain on:			
Available-for-sale financial assets		**—**	(26,090)
Reclassified to profit or loss on:			
disposal of available-for-sale financial assets, net of income tax		**—**	(932)
Settlement of cash flow hedges		**—**	1,529
Other comprehensive income (expense) for the year		**36,775**	(25,452)
Total comprehensive income for the year		**1,039,672**	150,230

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Profit (loss) for the year attributable to:			
Owners of the Company		**1,033,097**	208,422
Non-controlling interests		**(30,200)**	(32,740)
		1,002,897	175,682
Total comprehensive income (expense) attributable to:			
Owners of the Company		**1,069,872**	182,970
Non-controlling interests		**(30,200)**	(32,740)
		1,039,672	150,230
Earnings per share	15		
Basic (RMB)		**0.632**	0.127

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**5,520,057**	5,939,512
Prepaid lease payments	18	**669,923**	596,690
Goodwill	19	**2,991**	2,991
Intangible assets	20	**163,800**	230,534
Interests in associates	21	**157,277**	165,905
Interests in joint ventures	22	**96,591**	55,007
Other receivable	23	**519,874**	—
Available-for-sale investments	24	**196,174**	135,691
Deposit for land lease	25	**191,800**	280,800
Prepayment for acquisition of property, plant and equipment		**3,656**	115,832
Deferred tax assets	26	**232,385**	117,200
Amounts due from an associate	29	**226,278**	—
		7,980,806	7,640,162
CURRENT ASSETS			
Inventories	27	**2,075,239**	2,275,180
Prepaid lease payments	18	**15,276**	13,849
Trade and other receivables	28	**8,650,502**	7,819,484
Amounts due from associates	29	**247,016**	34,780
Amounts due from joint ventures	30	**39,270**	44,529
Tax asset		**3,459**	5,561
Structured bank deposits	31	**1,755,000**	1,097,399
Pledged bank deposits	31	**2,403,640**	2,756,201
Bank balances and cash	31	**2,121,873**	1,649,705
		17,311,275	15,696,688
Assets classified as held for sale	16	**—**	1,962,654
		17,311,275	17,659,342

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
CURRENT LIABILITIES			
Trade and other payables	32	**6,408,813**	4,279,154
Amounts due to associates	29	**1,888**	96,089
Amount due to a joint venture	30	**510**	—
Tax liabilities		**329,772**	43,067
Borrowings	33	**5,618,194**	7,971,209
Financial liabilities at fair value through profit or loss	34	**596,656**	327,072
Warranty provision	35	**100,342**	99,781
Obligation under finance leases	36	**158,556**	167,073
		13,214,731	12,983,445
Liabilities directly associated with assets classified as held for sale	16	**—**	202,923
		13,214,731	13,186,368
NET CURRENT ASSETS		**4,096,544**	4,472,974
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,077,350**	12,113,136
NON-CURRENT LIABILITIES			
Borrowings	33	**1,948,126**	2,967,562
Deferred tax liabilities	26	**51,319**	39,089
Deferred income	37	**96,651**	81,824
Obligation under finance leases	36	**6,516**	154,559
		2,102,612	3,243,034
		9,974,738	8,870,102

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
CAPITAL AND RESERVES			
Share capital	38	**119,218**	119,218
Reserves		**9,639,884**	8,569,153
Equity attributable to owners of the Company		**9,759,102**	8,688,371
Non-controlling interests		**215,636**	181,731
		9,974,738	8,870,102

The consolidated financial statements on pages 53 to 162 were approved and authorised for issue by the Board of Directors on 18 March 2016 and are signed on its behalf by:

HU YUEMING
DIRECTOR

LIAO ENRONG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Deemed capital contribution reserve RMB'000 (note a)	Capital reserve RMB'000 (note b)	Investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000 (note c)	Other reserve RMB'000 (note d)	Exchange reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2014	119,218	5,010,141	77,651	157,765	(9,446)	366,125	52,335	(1,174)	(1,529)	2,742,791	8,513,877	247,824	8,761,701
Profit for the year	—	—	—	—	—	—	—	—	—	208,422	208,422	(32,740)	175,682
Other comprehensive expense for the year	—	—	—	—	(27,022)	—	—	41	1,529	—	(25,452)	—	(25,452)
Total comprehensive (expense) income for the year	—	—	—	—	(27,022)	—	—	41	1,529	208,422	182,970	(32,740)	150,230
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	11,391	11,391
Appropriation	—	—	—	—	—	181	—	—	—	(181)	—	—	—
Capital contributions by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	12,980	12,980
Acquisition of additional interest in subsidiaries	—	—	—	(8,476)	—	—	—	—	—	—	(8,476)	(57,724)	(66,200)
At 31 December 2014	119,218	5,010,141	77,651	149,289	(36,468)	366,306	52,335	(1,133)	—	2,951,032	8,688,371	181,731	8,870,102

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Deemed capital contribution reserve RMB'000 (note a)	Capital reserve RMB'000 (note b)	Investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000 (note c)	Other reserve RMB'000 (note d)	Exchange reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Profit for the year	—	—	—	—	—	—	—	—	—	1,033,097	1,033,097	(30,200)	1,002,897
Other comprehensive income for the year	—	—	—	—	36,468	—	—	307	—	—	36,775	—	36,775
Total comprehensive income (expense) for the year	—	—	—	—	36,468	—	—	307	—	1,033,097	1,069,872	(30,200)	1,039,672
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(31)	(31)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(33,038)	(33,038)
Disposal of partial interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	97,209	97,209
Appropriation	—	—	—	—	—	152	—	—	—	(152)	—	—	—
Capital contributions by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	1,960	1,960
Acquisition of additional interest in subsidiaries	—	—	—	859	—	—	—	—	—	—	859	(1,995)	(1,136)
At 31 December 2015	119,218	5,010,141	77,651	150,148	—	366,458	52,335	(826)	—	3,983,977	9,759,102	215,636	9,974,738

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

Note b: The changes in 2015 and 2014 represent the difference between the consideration and the net assets changes of subsidiaries attributable to non-controlling interest upon acquisition of additional interest in subsidiaries, and capital contribution from non-controlling shareholders.

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		1,347,200	306,607
Adjustments for:			
Allowance for inventories		39,364	39,223
Amortisation of intangible assets		81,361	95,310
Bank interest income		(91,896)	(116,417)
Depreciation of property, plant and equipment		572,688	629,518
Finance costs		643,270	741,608
Fair value change on financial liabilities at fair value through profit or loss		7,232	2,302
(Gain) Loss on disposal of property, plant and equipment		(1,385)	529
Impairment loss on intangible assets		38,848	47,959
Impairment loss on trade and other receivables		117,418	36,041
Impairment loss on available –for-sale investments		58,989	—
Impairment loss on property, plant and equipment		40,532	23,119
Investment income recognised in profit or loss		(30,203)	(13,254)
Net foreign exchange gain arising from bank borrowing		23,505	4,917
Gain on disposal of available-for-sale investments		—	(932)
Deemed gain on dilution of equity interest in an associate		(1,833)	—
Loss on disposal of a joint venture		—	129,577
Gain from bargain purchase		—	(2,947)
Gain on disposal of subsidiaries		(82,422)	(3,747)
Release of prepaid lease payments		14,138	18,687
Share of results of associates		56,945	5,686
Share of results of joint ventures		(12,926)	(29,458)
Release of deferred income		(4,328)	(4,584)
Operating cash flows before movements in working capital		2,816,497	1,909,744
Inflow from new injection subsidiary		—	96,085
Decrease (increase) in inventories		134,234	(75,711)
Decrease (increase) in trade and other receivables		386,073	(1,451,666)
Net changes in amounts due from/to associates		(213,737)	(9,724)
Net changes in amounts due from/to joint ventures		5,769	(24,537)
Increase in trade and other payables		2,124,778	162,561
Increase in warranty provision		561	44,239

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Cash generated from operations		**5,254,175**	650,991
Income tax paid		**(158,451)**	(169,581)
NET CASH FROM OPERATING ACTIVITIES		**5,095,724**	481,410
INVESTING ACTIVITIES			
Placement in pledged bank deposits		**(10,825,293)**	(5,445,516)
Purchase of property, plant and equipment		**(255,365)**	(575,562)
Investment in structured bank deposits		**(1,755,000)**	(1,097,399)
Purchase of other investment		**(500,000)**	—
Prepaid lease payments paid		**—**	(150)
Prepayment for acquisition of property, plant and equipment		**(280,736)**	(115,832)
Expenditure on intangible assets		**(21,817)**	(126,270)
Acquisition of interest in an associate		**(31,291)**	(800)
Acquisition of interest in joint ventures		**(158)**	—
Purchase of available-for-sale investments		**(63,004)**	(2,400)
Inflow from acquisition of a subsidiary	45	**69**	57,290
Withdrawal in pledged bank deposits		**11,177,854**	5,184,859
Inflow (outflow) of disposal of subsidiaries	46	**400,181**	(30,189)
Capital injection in a subsidiary		**—**	(96,085)
Proceeds from disposal of an associate		**—**	1,010
Withdrawal of structured bank deposits		**1,097,399**	200,000
Other investment income received		**10,329**	13,254
Government grants related to non-current assets		**19,155**	11,990
Interest received		**91,896**	116,417
Dividend received from a joint venture		**—**	25,000
Proceeds on disposal of property, plant and equipment		**82,751**	56,159
Proceeds on disposal of available-for-sale investments		**—**	5,717
NET CASH USED IN INVESTING ACTIVITIES		**(853,030)**	(1,818,507)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
FINANCING ACTIVITIES		
New borrowings raised	**8,103,015**	12,414,001
Amounts raised from financial liabilities at fair value through profit or loss	**1,299,612**	324,771
Repayment of financial liabilities at fair value through profit or loss	**(1,037,260)**	—
Proceeds from sale and leaseback finance lease arrangements	**—**	54,965
Capital contribution by non-controlling shareholders	**1,960**	12,980
Repayment of borrowings	**(11,299,471)**	(11,061,537)
Interest paid	**(680,686)**	(778,465)
Repayment of obligation under finance leases	**(156,560)**	(133,333)
Acquisition of additional interests in subsidiaries	**(1,136)**	(66,200)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(3,770,526)**	767,182
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**472,168**	(569,915)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,649,705**	2,235,371
CASH AND CASH EQUIVALENTS AT END OF THE YEAR,		
bank balances and cash	**2,121,873**	1,649,705
bank balances and cash included in assets classified as held for sale	**—**	15,751

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

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

The Company acts as investment holding. Particulars of the principal activities of its subsidiaries, associates and joint ventures are set out in notes 51, 21, and 22 respectively.

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

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

(a) New and revised IFRSs adopted during the year

The Group has applied for the first time in the current year the following amendments to IFRSs:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions;
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle;
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle;

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

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

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

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[3]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to IAS 7	Disclosure Initiative[5]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after 1 January 2016.

4 Effective for annual periods beginning on or after a date to be determined.

5 Effective for annual periods beginning on or after 1 January 2017.

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

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

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described below:

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

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

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

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

IFRS 9 Financial Instruments *(Continued)*

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

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

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

IFRS 16 Leases *(Continued)*

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors of the Company will assess the impact of the application of IFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 until the Group performs a detailed review.

The directors of the Company do not anticipate that the application of other new and amendments to IFRSs will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Business combinations *(Continued)*

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Business combinations *(Continued)*

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

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

Goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Investments in associates and joint ventures

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Non-current assets held for sale

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

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

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

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

Leasing

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

The Group as lessor

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

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

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

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

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

Leasehold land and building

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

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

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

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

Retirement benefit costs and termination benefits

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

Taxation

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

Current tax

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

Deferred tax

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax *(Continued)*

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

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

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

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

Current and deferred tax of the year

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Freehold land is stated at cost and is not amortised.

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Internally-generated intangible assets - research and development expenditures

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

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

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

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

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

Intangible assets acquired in a business combination

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

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

Derecognition of intangible assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

Inventories

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

Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

AFS financial assets

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

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

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

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

Loans and receivables

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Control over Tianjin Chuanzai Jingtong Financial Leasing Co., Ltd.

At 31 December 2015, Tianjin Chuanzai Jingtong Financial Leasing Co., Ltd. ("Tianjin Chuanzai") is considered as a subsidiary of the Group even though the Group has only 46.96% ownership interest (note 46). Based on the contractual arrangements between the Group and other investor, the Group has the power to appoint and remove the majority of the board of directors of Tianjin Chuanzai that has the power to direct the relevant activated of Tianjin Chuanzai. Therefore, the directors of the Company concluded that the Group has the practical ability to direct the relevant activities of Tianjin Chuanzai unilaterally and hence the Group has control over Tianjin Chuanzai.

Significant influence over Nanjing Gaochuan Electrical & Mechanical Auto Control Equipment Co., Ltd.

At 31 December 2015, 南京高傳機電自動控制設備有限公司 Nanjing Gaochuan Electrical & Mechanical Auto Control Equipment Co., Ltd. ("Nanjing Gaochuan") is an associate of the Group although the Group only owns 10% ownership interest in Nanjing Gaochuan (note 46). The Group has significant influence over Nanjing Gaochuan by virtue of the contractual right to appoint one out of the five directors to the board of directors of that company.

Key sources of estimation uncertainty

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

Allowances for bad and doubtful debts

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicated that the balances may not be collectible. The identification of bad and doubtful debts requires the use of estimates. Where the expectation of future cash receipts is different from the original estimate, such difference will impact the carrying amounts of trade receivables and doubtful debts expenses in the year in which such estimate is changed. As at 31 December 2015, the carrying amount of trade receivables (excluding bills receivable) is RMB3,689,026,000 (net of allowance for bad and doubtful debts of RMB418,288,000) (31 December 2014: carrying amount of RMB3,450,803,000, net of allowance for bad and doubtful debts of RMB301,986,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Allowance for inventories

Management exercises their estimates in making allowance for inventories. Management reviews the inventory listing at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that no longer suitable for use in operation. As at 31 December 2015, the carrying amount of inventories is RMB2,075,239,000 (net of allowance for inventories of RMB392,793,000) (31 December 2014: carrying amount of RMB2,275,180,000, net of allowance for inventories of RMB358,006,000).

Useful lives and residual value of property, plant and equipment

The Group reviews the estimated useful lives and residual value of property, plant and equipment at the end of the reporting period. During the reporting period, management is satisfied that there is no change in the estimated useful lives of the property, plant and equipment from prior year. The carrying amounts of property, plant and equipment at the end of the reporting period are disclosed in note 17.

Recognition and useful lives of intangible assets

Development costs are capitalised in accordance with the accounting policy for research and development expenditures in note 3. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. The Group reviews the estimated useful lives of intangible assets at the end of each reporting period. During the reporting period, management is satisfied that there is no change in the estimated useful lives of the intangible assets from prior years. The carrying amounts of intangible assets at the end of the reporting period are disclosed in note 20.

Income taxes

As at 31 December 2015, a deferred tax asset in relation to unused tax losses of RMB23,901,000 (2014: RMB54,231,000) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB653,626,000 (2014: RMB668,550,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of goodwill is RMB2,991,000 (net of accumulated impairment loss of RMB14,724,000) (2014: carrying amount of RMB2,991,000, net of accumulated impairment loss of RMB14,724,000).

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

As at 31 December 2015, the carrying amount of intangible assets is RMB163,800,000 (net of impairment loss made for the year of RMB38,848,000) (31 December 2014: carrying amount of RMB230,534,000, net of impairment loss made for the year of RMB47,959,000).

As at 31 December 2015, the carrying amount of property, plant and equipment is RMB5,520,057,000 (net of impairment loss made for the year of RMB40,532,000) (31 December 2014: carrying amount of RMB5,939,512,000, net of impairment loss made for the year of RMB23,119,000).

Fair value measurements and valuation processes

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

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

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 33, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

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

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**14,612,897**	12,285,163
Available-for-sale investments	**196,174**	135,691
Financial liabilities		
Amortised cost	**12,768,550**	14,712,682
Obligation under finance leases	**165,072**	321,632
Financial liabilities at fair value through profit or loss	**596,656**	327,072

6b. Financial risk management objectives and policies

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

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

(i) Currency risk

The Group is exposed to currency risks which mainly arise from the foreign currency sales and purchases, bank balances and borrowings denominated in foreign currency. Approximately 22% (2014: 17%) of the Group's sales and 2% (2014: 3%) of the Group's purchases are denominated in currencies other than the functional currency of the respective group entities.

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

Assets

	2015 RMB'000	2014 RMB'000
United States Dollars (USD)	**1,431,314**	335,861
Hong Kong Dollars (HKD)	**42,215**	117,713
Euro (EUR)	**191,440**	116,474
Canadian Dollars (CAD)	**6,611**	15,024
Singapore Dollars (SGD)	**2,194**	8,402
Australian Dollars (AUD)	**242**	253

Liabilities

	2015 RMB'000	2014 RMB'000
United States Dollars (USD)	**488,528**	685,027
Hong Kong Dollars (HKD)	**246,702**	464,007
Euro (EUR)	**1,063**	12,227
Singapore Dollar (SGD)	**245**	244

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk *(Continued)*

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2014: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2014: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit and investment revaluation reserve where RMB strengthen 5% (2014: 5%) against the relevant foreign currencies. For a 5% (2014: 5%) weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit and investment revaluation reserve.

	USD		HKD		EUR	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Increase (decrease) in post-tax profit/ investment revaluation reverse as a result of a 5% strengthening of RMB against the foreign currency:						
Profit or loss	**(34,260)**	20,609	**10,274**	19,785	**(7,711)**	(4,284)
Investment revaluation reserve	**—**	—	**(1,421)**	(2,471)	**—**	—

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk

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

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period and have not taken into account bank balances and cash as their impact is not expected to be significant. A 50 basis points (2014: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by RMB1,966,000 (2014: decrease/increase by: RMB4,162,000).

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(iii) Equity price risk

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

Sensitivity analysis

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

If equity price had been 15% higher/lower (2014: 15% higher/lower), the Group's comprehensive/ profit for the year would increase/decrease by RMB4,262,000 (2014: RMB7,415,000) as a result of the changes in fair value of available-for-sale investments.

(iv) Commodity price risk

The Group is exposed to commodity price risk mainly through financial liabilities at fair value through profit or loss quoted in the Shanghai Gold Exchange. The management manages this exposure by using gold forward contract that are not designated as hedging instrument.

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and discounted and endorsed bills with full recourse which were derecognised by the Group (see note 28 for details).

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

The Group has concentration of credit risk in respect of bank balances, structured bank deposits and pledged bank deposits. At 31 December 2015, approximately 51% (2014:43%) of the total bank balances, structured bank deposits and pledged bank deposits were deposited at 3 (2014:3) banks, representing deposits at each bank with a balance exceeding 10% of total bank balances, structured bank deposits and pledged bank deposits. The credit risk on liquid funds is limited because the majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

Other than concentration of the credit risk on liquid funds which are deposited with several banks with high credit rating, the Group also has concentration of credit risks with exposure limited to certain counterparties and customers. As at 31 December 2015, five customers engaged in the wind milling industry accounted for approximately 54% (2014: 45%) of the Group's trade receivables. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk. Other than the above, there is no other concentration of credit risk on the Group's trade receivables.

Liquidity risk

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

The Group relies on borrowings as a significant source of liquidity. At 31 December 2015, the Group's total borrowings (note 33) amounted to approximately RMB7,566 million. During the year, borrowings were reduced from RMB10,938 million at 31 December 2014 to RMB7,566 million at 31 December 2015. Subsequent to the end of the reporting period, the Group has renewed RMB541 million of existing bank facilities. The directors of the Company are of the opinion that the bank loans could be renewed as historical experience is such that the Group has no difficulty to obtain the renewal.

As discussed in note 28, the Group has discounted and endorsed bills with full recourse which were derecognised by the Group. Should the bills issuing banks default on the bills, the Group may be demanded to settle the related liabilities within 180 days from each reporting date. In addition, the following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

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

	Weighted average effective interest rate	On demand, 0 - 30 days	31 - 90 days	91 - 365 days	1 - 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2015							
Non-derivative financial liabilities							
Trade and other payables	—	922,908	1,329,542	2,947,382	—	5,199,832	5,199,832
Amounts due to associates	—	1,879	—	9	—	1,888	1,888
Amounts due to a joint venture	—	—	—	510	—	510	510
Obligation under finance leases	7.40	—	41,511	122,191	7,290	170,992	165,072
Borrowings	5.41	518,635	663,137	4,701,000	2,183,003	8,065,775	7,566,320
Financial liabilities at fair value through profit or loss		199,995	396,661	—	—	596,656	596,656
		1,643,417	2,430,851	7,771,092	2,190,293	14,035,653	13,530,278
2014							
Non-derivative financial liabilities							
Trade and other payables	—	1,974,895	441,844	1,195,579	—	3,612,318	3,612,318
Amounts due to associates	—	2,091	—	93,998	—	96,089	96,089
Obligation under finance leases	7.90	—	44,135	129,141	172,258	345,534	321,632
Borrowings	6.34	1,661,291	1,301,943	5,763,987	3,436,046	12,163,267	10,938,771
Financial liabilities at fair value through profit or loss		—	—	327,072	—	327,072	327,072
		3,638,277	1,787,922	7,509,777	3,608,304	16,544,280	15,295,882

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value measurements of financial instruments

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

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

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Basis of fair value measurement/valuation technique and key input
	31.12.2015	31.12.2014		
1) Listed equity securities classified as available-for-sale investments in the consolidated statements of financial position	**Listed equity securities in Hong Kong: – Manufacturing industry – RMB28,414,000**	Listed equity securities in Hong Kong: – Manufacturing industry – RMB49,415,000	Level 1	Quoted bid prices in an active market.
2) Financial liabilities at fair value through profit or loss	**Derivative financial liabilities at FVTPL – RMB596,656,000**	Derivative financial liabilities at FVTPL – RMB327,072,000	Level 2	Based on the quoted prices of the underlying commodity.

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

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

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

7. REVENUE AND SEGMENTAL INFORMATION

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

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

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

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

7. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segment revenue and results

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

	2015 RMB'000	2014 RMB'000
Segment revenue		
– PRC	7,683,862	6,782,672
– USA	2,011,910	1,178,110
– Europe	110,562	65,236
– Others	39,361	121,320
	9,845,695	8,147,338
Segment profit		
– PRC	2,185,092	1,420,153
– USA	701,638	437,991
– Europe	34,144	33,106
– Others	13,870	8,629
	2,934,744	1,899,879
Other income, gains and losses	42,766	55,899
Finance costs	(643,270)	(741,608)
Share of results of associates	(56,945)	(5,686)
Share of results of joint ventures	12,926	29,458
Unallocated expenses	(943,021)	(931,335)
Profit before taxation	1,347,200	306,607

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

7. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segment assets

	2015 RMB'000	2014 RMB'000
Segment assets		
– PRC	6,479,035	6,206,181
– USA	250,839	146,268
– Europe	152,042	105,552
– Others	55,456	37,116
Total segment assets	6,937,372	6,495,117
Unallocated assets	18,354,709	18,804,387
Consolidated total assets	25,292,081	25,299,504

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

Other segment information

2015

	PRC RMB'000	USA RMB'000	Europe RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit:						
Write-down of inventories	30,507	7,659	872	326	—	39,364
Depreciation of production plants	415,012	104,194	11,858	4,441	37,183	572,688
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:						
Impairment loss recognised on trade receivables	117,418	—	—	—	—	117,418
Impairment loss on intangible assets	38,848	—	—	—	—	38,848
Impairment loss on property, plant and equipment	40,532	—	—	—	—	40,532

7. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Other segment information *(Continued)*

2014

	PRC RMB'000	USA RMB'000	Europe RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit:						
Write-down of inventories	32,743	4,688	1,125	667	—	39,223
Depreciation of production plants	489,460	84,345	7,478	8,575	39,660	629,518
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:						
Impairment loss recognised on trade receivables	36,041	—	—	—	—	36,041
Impairment loss on intangible assets	47,959	—	—	—	—	47,959
Impairment loss on property, plant and equipment	23,119	—	—	—	—	23,119

7. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Revenue from major product and services

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

	2015 RMB'000	2014 RMB'000
Wind gear transmission equipment	7,803,764	5,801,985
Gear transmission equipment for construction materials	261,791	327,527
Gear transmission equipment for bar-rolling, wire-rolling and plate-rolling mills	188,536	277,243
Transmission equipment for high-speed locomotives, metros and urban light rails	151,547	157,623
General purpose gear transmission equipment	82,446	63,230
High-speed heavy-load gear transmission equipment	12,833	14,712
Others	664,779	777,286
Marine gear transmission equipment	410,154	350,417
Computer numerical controlled products	142,127	225,325
Diesel engine products	127,718	151,990
	9,845,695	8,147,338

Others mainly include the revenue from light emitting diode, boiler products and transmission parts.

Geographical information

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

	Non-current assets	
	2015 RMB'000	2014 RMB'000
PRC	7,370,280	7,283,972
USA	179,720	90,281
Others	2,247	13,018
	7,552,247	7,387,271

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

7. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Information about major customers

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

	2015 RMB'000	2014 RMB'000
Customer A[1]	**2,075,114**	1,234,177
Customer B[2]	**1,214,821**	906,118
Customer C[2]	**1,198,406**	892,254

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

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

8. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Sales of scraps and materials	**90,939**	46,978
Bank interest income	**91,896**	116,417
Government grants (Note)	**38,339**	136,818
Rental income	**21,312**	29,145
Investment income	**30,203**	13,254
Others	**53,773**	56,951
	326,462	399,563

Note: The amounts mainly represent subsidies or incentives received from PRC local governments for the operations carried out by the Group. The amount includes release of deferred income of RMB4,328,000 (2014: RMB4,584,000).

9. OTHER GAINS AND LOSSES

	2015 RMB'000	2014 RMB'000
Gain on disposal of available-for-sale investments	—	932
Net exchange gains (losses)	22,961	(32,139)
Loss on disposal of a joint venture (note 22)	—	(129,577)
Deemed gain on dilution of equity interest in an associate	1,833	—
Gain on disposal of subsidiaries (note 46)	82,422	3,747
Gain (loss) on disposal of property, plant and equipment	1,385	(529)
Impairment losses on intangible assets	(38,848)	(47,959)
Impairment loss on property, plant and equipment	(40,532)	(23,119)
Impairment losses on trade and other receivables	(117,418)	(36,041)
Impairment loss on available for sales investments	(58,989)	—
Changes in fair value of financial liabilities at fair value through profit or loss	(7,232)	(2,302)
	(154,418)	(266,987)

10. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interests on bank borrowings	680,686	778,465
Less: amount capitalised	(37,416)	(36,857)
	643,270	741,608

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.23% (2014: 6.34%) per annum to expenditure on qualifying assets.

11. TAXATION

	2015 RMB'000	2014 RMB'000
Current tax		
– PRC Enterprise Income Tax	**426,457**	47,300
– USA Corporate Income Tax	**225**	100
	426,682	47,400
Under provision in prior years		
– PRC Enterprise Income Tax	**20,576**	13,148
Deferred tax (credit) charge (note 26)	**(102,955)**	70,377
	344,303	130,925

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

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2014: 25%).

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

Name of subsidiary	Year ended during which approval was obtained	Year ending during which approval will expire
Nanjing High Speed Gear Manufacturing Co., Ltd.	31 December 2014	31 December 2016
Nanjing High Accurate Marine Equipment Co., Ltd.	31 December 2014	31 December 2016
Nanjing High Speed & Accurate Gear (Group) Co., Ltd	31 December 2014	31 December 2016
Nanjing Gaochuan Sky Digital Control Equipment Manufacturing Co., Ltd.	31 December 2015	31 December 2017
CHSTE (Beijing) Shougao Metallurgical Engineering & Equipment Co., Ltd	31 December 2015	31 December 2017
Zhenjiang Tongzhou Propeller Co., Ltd.	31 December 2013	31 December 2015

11. TAXATION *(Continued)*

The EIT Law imposes withholding tax upon the distribution of the profits earned by the PRC subsidiaries on or after 1 January 2008 to their overseas shareholders. At 31 December 2015, deferred tax liabilities of RMB32,199,000 (2014: RMB17,199,000) has been recognised in the consolidated financial statements in respect of the temporary differences attributable to such undistributed profits, details of which are set out in note 26.

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

	2015 RMB'000	2014 RMB'000
Profit before taxation	**1,347,200**	306,607
Tax at income tax rate of 25% (2014: 25%)	**336,800**	76,652
Tax effect of share of results of associates and joint ventures	**11,005**	(5,943)
Tax effect of expenses not deductible for tax purpose	**63,519**	41,519
Tax effect of income not taxable for tax purpose	**(19,328)**	(1,761)
Tax effect of tax losses not recognised	**90,136**	75,517
Utilisation of tax losses previously not recognised	**(1,576)**	(18,747)
Income tax on concessionary rate	**(171,960)**	(49,501)
Under provision in respect of prior years	**20,576**	13,148
Tax effect of undistributed earnings of the PRC subsidiaries	**15,000**	—
Effect of different tax rate of a subsidiary operating in a jurisdiction other than PRC	**131**	41
Tax charge for the year	**344,303**	130,925

12. DIVENDENDS

A final dividend of HK23 cents per ordinary share (2014: nil) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

13. PROFIT FOR THE YEAR

	2015 RMB'000	2014 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Total staff costs, including directors' emoluments (note 14)	1,422,150	1,231,354
Less: staff cost included in research and development costs	(78,769)	(78,889)
staff cost included in intangible assets	(8,440)	(11,415)
	1,334,941	1,141,050
Auditor's remuneration	4,000	4,000
Write-down of inventories (included in cost of sales)	39,364	39,223
Cost of inventories recognised as an expense	6,645,150	6,089,999
Depreciation of property, plant and equipment	572,688	629,518
Amortisation of prepaid lease payments	14,138	18,687
Amortisation of intangible assets	81,361	95,310
Net exchange (gains) losses	(22,961)	32,139
Loss on disposal of a joint venture	—	129,577
(Gain) loss on disposal of subsidiaries	(82,422)	(3,747)
Loss (gain) on disposal of property, plant and equipment	(1,385)	529
Impairment losses on intangible assets (included in other gains and losses)	38,848	47,959
Impairment losses on trade and other receivables (included in other gains and losses)	117,418	36,041
Impairment loss on property, plant and equipment (included in other gains and losses)	40,532	23,119
Impairment loss on available for sales investments (included in other gains and losses)	58,989	—

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

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

	2015 RMB'000	2014 RMB'000
Directors		
– fee	550	550
– salaries and other allowances	21,452	21,979
– retirement benefit plan contributions	583	371
Total emoluments	22,585	22,900

	2015				2014			
	Fee RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000	Fee RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors								
Hu Yueming	—	3,397	53	3,450	—	3,397	53	3,450
Chen Yongdao	—	3,097	53	3,150	—	3,097	53	3,150
Liao Enrong	—	3,097	53	3,150	—	3,097	53	3,150
Gou Jianhui (note)	—	3,067	53	3,120	—	—	—	—
Wang Zhengbing (note)	—	707	53	760	—	—	—	—
Zhou Zhijin (note)	—	657	53	710	—	—	—	—
Hu Jichun (note)	—	292	53	345	—	—	—	—
Lu Xun (note)	—	1,522	53	1,575	—	3,097	53	3,150
Li Shengqiang (note)	—	1,522	53	1,575	—	3,097	53	3,150
Liu Jianguo (note)	—	2,572	53	2,625	—	3,097	53	3,150
Jin Maoji (note)	—	1,522	53	1,575	—	3,097	53	3,150
Independent non-executive directors								
Jiang Xihe	150	—	—	150	150	—	—	150
Zhu Junsheng	150	—	—	150	150	—	—	150
Chen Shimin	150	—	—	150	150	—	—	150
Jiang Jianhua	100	—	—	100	100	—	—	100
	550	21,452	583	22,585	550	21,979	371	22,900

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

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

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Note: On 27 June 2015, Mr Gou Jianhui, Mr. Zhou Zhijin, Mr. Hu Jichun and Mr. Wang Zhengbing were appointed as directors of the Company and Mr. Lu Xun and Mr. Jin Maoji resigned as directors of the Company. On 26 June 2015, Mr. Li Shengqiang resigned as director of the Company. On 20 October 2015, Mr. Liu Jianguo resigned as director of the Company.

Employees

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

Their emoluments were within the following bands:

	2015 No. of employees	2014 No. of employees
RMB3,000,001 to RMB4,000,000	**4**	5
RMB2,000,001 to RMB3,000,000	**1**	—
	5	5

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

14a. Loans/quasi-loans with a director

As set out in note 29, at 31 December 2015, included in the Group's amount due from an associate is RMB92,700,000 being advances made to Nanjing Gaochuan, which has been disposed to 達勤新能源產業投資有限公司 Decan New Energy Industry Investment Limited ("Decan New Energy", which is wholly owned by Mr. Liao Enrong, who is the executive director of the Company). As set out in note 28, at 31 December 2015, included in the Group's other receivables is RMB77,504,000 which is the consideration receivable from Decan New Energy for disposal of Nanjing Gaochuan.

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

14a. Loans/quasi-loans with a director *(Continued)*

Amounts due from companies controlled by a director, Mr. Liao Enrong, disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap. 622), which requires compliance with section 161B of the predecessor Hong Kong Companies Ordinance (Cap. 32), is analysed as follows:

Name of entity	At 1.1.2014 and 31.12.2014	At 31.12.2015	Maximum amount outstanding during the year ended 31.12.2015	Maximum amount outstanding during the year ended 31.12.2014
	RMB'000	RMB'000	RMB'000	RMB'000
Nanjing Gaochuan	—	92,700	92,700	—
Decan New Energy	—	77,504	77,504	—

15. EARNINGS PER SHARE

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

	2015	2014
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	1,033,097	208,422

	2015	2014
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	1,635,291	1,635,291

No diluted earnings per share is presented for the year ended 31 December 2015 and 31 December 2014 as there was no potential dilutive shares in issue.

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

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

At 31 December 2014, it is considered that the disposal is highly probable and accordingly, the assets and liabilities of Zhong-Chuan and Nanjing Gaote were classified as held for sale in the consolidated statement of financial position at 31 December 2014. The disposal was completed in the current year on 20 January 2015 when Nanjing Drive entered into an agreement (the "Zhong-Chuan Disposal Agreement") with an independent purchaser (the "Purchaser"), pursuant to which Nanjing Drive sold its entire 60% equity interest in Zhong-Chuan and 100% equity interest in Nanjing Gaote for an aggregate consideration of RMB450 million. In addition, the Purchaser repaid trade payable of RMB1,000 million owed by Zhong-Chuan to Nanjing Drive. Details of the disposal is set out in note 46.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Fixture and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Software RMB'000	Total RMB'000
COST									
At 1 January 2014	17,343	2,260,499	4,733,725	206,692	298,670	1,452,349	1,162	15,911	8,986,351
Additions	—	122	99,945	13,352	1,875	647,661	—	411	763,366
Acquired on acquisition of subsidiaries	—	42,628	213,676	911	1,613	61,013	—	—	319,841
Transfer	—	109,918	220,706	6,043	2,754	(343,067)	—	3,646	—
Disposals	—	—	(57,719)	(1,298)	(6,492)	(31,314)	—	—	(96,823)
Transfer to assets of a disposal group classified as held for sale	—	(100,535)	(208,247)	(23,902)	(9,906)	(860,821)	—	(378)	(1,203,789)
At 31 December 2014	17,343	2,312,632	5,002,086	201,798	288,514	925,821	1,162	19,590	8,768,946
Additions	—	73	29,978	3,211	1,818	509,007	15,734	873	560,694
Transfer	—	48,689	322,079	6,938	(960)	(378,331)	—	1,585	—
Disposals	—	(18,056)	(284,085)	(1,118)	(6,772)	(36,793)	(1,628)	(40)	(348,492)
Disposal of subsidiaries	—		(32,029)	(2,451)	(1,086)	(27,475)	—	(7)	(63,048)
At 31 December 2015	**17,343**	**2,343,338**	**5,038,029**	**208,378**	**281,514**	**992,229**	**15,268**	**22,001**	**8,918,100**
DEPRECIATION									
At 1 January 2014	—	248,783	1,753,270	139,471	200,921	—	1,162	9,752	2,353,359
Provided for the year	—	81,545	487,068	23,241	35,755	—	—	1,909	629,518
Eliminated on disposals	—		(32,889)	(1,192)	(6,054)	—	—	—	(40,135)
Transfer to assets of a disposal group classified as held for sale	—	(20,415)	(90,275)	(18,648)	(6,977)	—	—	(112)	(136,427)
At 31 December 2014	—	309,913	2,117,174	142,872	223,645	—	1,162	11,549	2,806,315
Provided for the year	—	75,181	455,591	19,900	20,517	—	—	1,499	572,688
Eliminated on disposals	—	(1,642)	(32,903)	(926)	(5,349)	—		(28)	(40,848)
Disposal of subsidiaries	—	—	(2,550)	(1,073)	(137)	—	—	(3)	(3,763)
At 31 December 2015	**—**	**383,452**	**2,537,312**	**160,773**	**238,676**	**—**	**1,162**	**13,017**	**3,334,392**
IMPAIRMENT									
At 1 January 2015	—	—	—	—	—	23,119	—	—	23,119
Provided for the year	—	—	40,000	—	—	532	—	—	40,532
At 31 December 2015	**—**	**—**	**40,000**	**—**	**—**	**23,651**	**—**	**—**	**63,651**
CARRYING VALUES									
At 31 December 2015	**17,343**	**1,959,886**	**2,460,717**	**47,605**	**42,838**	**968,578**	**14,106**	**8,984**	**5,520,057**
At 31 December 2014	17,343	2,002,719	2,884,912	58,926	64,869	902,702	—	8,041	5,939,512

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

The carrying values of plant and machinery includes an amount of RMB432,426,000 (2014: RMB442,887,000) in respect of assets held under finance leases.

At 31 December 2015, included in the Group's property, plant and equipment was RMB105 million (2014:RMB143 million) which was leased to an associate. During the year, the Group disposed certain of its property, plant and equipment to this associate and the Group also earns rental income by leasing property, plant and equipment kept by the associate, details of which are set out in note 48.

The Group is in the process of obtaining property certificates for the buildings above with carrying amount of RMB1,227,000,000 (2014: RMB1,330,079,000) at the end of reporting period.

The freehold land is situated in the USA.

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

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

During the year, as the result of poor performance of the boiler manufacturing and sales, the Group carried out a review of the recoverable amount (being the higher of value in use and fair value less costs of disposal) of the manufacturing plant and the related equipment, which represents the value in use from smallest cash generating unit ("CGU") in which those assets ae included. The review led to the recognition of an impairment loss of RMB40,532,000 (2014: RMB23,119,000), which has been recognised in profit or loss. The discount rate used in measuring the recoverable amount was 11% (2014: 11%) per annum.

18. PREPAID LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Medium-term land use rights in the PRC	**685,199**	610,539
Analysed for reporting purpose as:		
Current assets	**15,276**	13,849
Non-current assets	**669,923**	596,690
	685,199	610,539

Included in medium-term prepaid lease payments are land use rights located in the PRC with carrying amount of RMB303,706,000 (2014: RMB289,961,000). The Group is in the process of obtaining these land use rights certificates.

19. GOODWILL

	Goodwill RMB'000
COST	
Balance at 1 January 2014, 31 December 2014 and 31 December 2015	**17,715**
IMPAIRMENT	
Balance at 1 January 2014, 31 December 2014 and 31 December 2015	14,724
CARRYING AMOUNTS	
At 31 December 2014 and 31 December 2015	**2,991**

19. GOODWILL *(Continued)*

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

	2015 RMB'000	2014 RMB'000
Engineering processing and manufacturing ("Unit A")	**2,991**	2,991

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections bases on financial budgets approved by management covering a five-year period and discount rate of 11% (2014:11%). Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on these units' past performance and management's expectations for the market development.

At 31 December 2015, management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Unit A to be less than the recoverable amount of the CGU. As a result, the management determined that there is no impairment loss to be recognised in relation to goodwill arising on acquisition of Unit A.

20. INTANGIBLE ASSETS

	Development costs RMB'000	Technical know-how RMB'000	Total RMB'000
COST			
At 1 January 2014	596,849	41,623	638,472
Additions	126,270	—	126,270
Transferred to assets of a disposal group classified as held for sale	(39,987)	—	(39,987)
At 31 December 2014	683,132	41,623	724,755
Additions	53,803	—	53,803
Disposal of subsidiaries	(362)	—	(362)
At 31 December 2015	**736,573**	**41,623**	**778,196**
AMORTISATION AND IMPAIRMENT			
At 1 January 2014	345,709	8,575	354,284
Charge for the year	93,236	2,074	95,310
Impairment loss recognised in the year	47,959	—	47,959
Transferred to assets of a disposal group classified as held for sale	(3,332)	—	(3,332)
At 31 December 2014	483,572	10,649	494,221
Charge for the year	78,623	2,738	81,361
Impairment loss recognised in the year	38,848	—	38,848
Disposal of subsidiaries	(34)	—	(34)
At 31 December 2015	**601,009**	**13,387**	**614,396**
CARRYING VALUES			
At 31 December 2015	**135,564**	**28,236**	**163,800**
At 31 December 2014	199,560	30,974	230,534

20. INTANGIBLE ASSETS *(Continued)*

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

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

During the year, as the result of insufficient sales order for these development projects, the Group carried out a review of the recoverable amount of development costs. The review led to the recognition of an impairment loss of RMB38,848,000 (2014: RMB47,959,000), which has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the on the basis of their value in use. The discount rate used in measuring value in use was 11% (2014: 11%) per annum.

21. INTERESTS IN ASSOCIATES

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

	2015 **RMB'000**	2014 RMB'000
Cost of unlisted investments in associates	**239,212**	190,895
Accumulated share of post-acquisition results	**(81,935)**	(24,990)
	157,277	165,905

At 31 December 2015, included in the cost of investments in associates is goodwill of RMB16,226,000 (2014: RMB11,491,000) arising on acquisitions of associates. There is RMB2,052,000 (2014: nil) of unrecognised share of loss of associates for the year ended 31 December 2015.

During the year, the Group invested RMB30,062,000 in山東能源重裝集團恒信融資租賃有限公司Shandong Energy Heavy Duty Group Hengxin Financing Leasing Co., Ltd., RMB734,000 in中和天佑 (上海) 實業有限公司 Zhonghe Tianyou (Shanghai) Industrial Co., Ltd., and RMB494,000 in江蘇新貝斯特中傳精密機床有限公司 Jiangsu New Best Zhong-chuan Precision Machine Tool Co., Ltd.

21. INTERESTS IN ASSOCIATES *(Continued)*

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

Name of entity	Form of business structure	Country of establishment/ principal place of operation	Proportion of nominal value of registered capital and proportion of voting power held by the Group		Principal activity
			2015	2014	
南通富來威農業裝備有限公司 Nantong FLW Agricultural Equipment Co. Ltd. ("Nantong FLW")	PRC equity joint venture	PRC	**49.58%**	49.58%	Manufacture and sales of agriculture equipment

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

Summarised financial information of the material associate

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

The associate is accounted for using the equity method in these consolidated financial statements.

21. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of the material associate *(Continued)*

Nantong FLW

	2015 RMB'000	2014 RMB'000
Current assets	84,051	99,632
Non-current assets	78,544	80,343
Current liabilities	(28,233)	(44,768)

	2015 RMB'000	2014 RMB'000
Revenue	38,824	40,561
Loss for the year	(845)	(16,117)
Total comprehensive expense for the year	(845)	(16,117)
Dividends received from the associate during the year	—	–

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

	2015 RMB'000	2014 RMB'000
Net assets of Nantong FLW	134,362	135,207
Proportion of the Group's ownership interest in Nantong FLW	49.58%	49.58%
Goodwill	1,470	1,470
Carrying amount of the Group's interest in Nantong FLW	68,086	68,505

21. INTERESTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material

As at 31 December 2015, there are nine (2014: five) associates that are not individually material to the Group, and their aggregate information is as follows:

	2015 **RMB'000**	2014 RMB'000
The Group's share of profit (loss) from continuing operations (note)	**(58,578)**	1,741
The Group's share of total comprehensive income (loss)	**(58,578)**	1,741
Aggregate carrying amount of the Group's interest in these associates	**89,191**	39,220

Note: Included in the Group's share of loss for the year ended 31 December 2015 was approximately RMB50,630,000 (2014: nil) being impairment losses recognised by the respective associates.

22. INTERESTS IN JOINT VENTURES

	2015 **RMB'000**	2014 RMB'000
Cost of unlisted investments in joint ventures	**38,658**	10,000
Accumulated share of post-acquisition results, net of dividend received	**57,933**	45,007
	96,591	55,007

Shandong Energy Machinery Group Zhong-Chuan Heavy Duty Mine Equipment Manufacturing Co., Ltd. ("Shandong Heavy Duty") was previously owned by Zhong-Chuan Heavy Duty Equipment Co., Ltd. ("Zhong-Chuan"), a subsidiary disposed in January 2015 and grouped under assets classified held for sale as at 31 December 2014. Upon the disposal of Zhong-Chuan, the Group acquired the interest in Shandong Heavy Duty from Zhong-Chuan and retained its joint control over Shandong Heavy Duty, details of which is set out in note 46. Shandong Heavy Duty is principally engaged in heavy duty mine equipment manufacturing.

During the year, Nanjing Jingze Lighting Technology Limited ("NJZ Nanjing"), one of the Group's subsidiaries, set up a joint venture named as "Nanjing Jingze Lighting Technology USA Inc." ("NJZ USA") in the State of Georgia, United States of America ("USA") with an independent partner. NJZ Nanjing invests USD 25,500 in NJZ USA.

22. INTERESTS IN JOINT VENTURES *(Continued)*

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

Name of entity	Form of business structure	Country of establishment/ principal place of operation	Proportion of nominal value of registered capital and proportion of voting power held by the Group		Principal activity
			2015	2014	
Nanjing High Accurate Construction Equipment Co., Ltd ("Nanjing Construction")	PRC equity joint venture	PRC	50%	50%	Metallurgical engineering and manufacturing
Shandong Heavy Duty	PRC equity joint venture	PRC	50%	50%	Heavy duty mine equipment manufacturing

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

Summarised financial information of material joint ventures

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

The joint ventures are accounted for using the equity method in this consolidated financial statements.

22. INTERESTS IN JOINT VENTURES *(Continued)*

Nanjing Construction

	2015 RMB'000	2014 RMB'000
Current assets	405,802	413,366
Non-current assets	2,220	2,013
Current liabilities	(286,288)	(305,365)
Non-current liabilities	—	—
The above amounts of assets and liabilities include the following:		
Cash and cash equivalent	28,197	17,672
Current financial liabilities (excluding trade and other payables and provisions)	—	—

	2015 RMB'000	2014 RMB'000
Revenue	249,518	388,470
Profit for the year	24,376	56,971
Other comprehensive income for the year	—	—
Total comprehensive income for the year	24,376	56,971
Dividends received from Nanjing Construction during the year	—	25,000

22. INTERESTS IN JOINT VENTURES *(Continued)*

Nanjing Construction *(Continued)*

The above profit for the year include the following:

	2015 RMB'000	2014 RMB'000
Depreciation and amortisation	(489)	(390)
Interest income	304	410
Income tax expense	(4,302)	(5,957)

Shandong Heavy Duty

	2015 RMB'000	2014 RMB'000
Current assets	78,246	54,493
Non-current assets	32,248	36,846
Current liabilities	(39,858)	(21,684)
Non-current liabilities	—	—
The above amounts of assets and liabilities include the following:		
Cash and cash equivalent	394	255
Current financial liabilities (excluding trade and other payables and provisions)	—	—

22. INTERESTS IN JOINT VENTURES *(Continued)*

Shandong Heavy Duty *(Continued)*

	2015 RMB'000	2014 RMB'000
Revenue	**103,527**	114,843
Profit for the year	**970**	1,945
Other comprehensive income for the year	—	—
Total comprehensive income for the year	**970**	*1,945*
Dividends received from Nanjing Construction during the year	—	—

The above profit for the year include the following:

	2015 RMB'000	2014 RMB'000
Depreciation and amortisation	**(4,150)**	(4,156)
Interest income	**2**	2
Income tax expense	**(329)**	(657)

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

	2015 RMB'000	2014 RMB'000
Net assets of Nanjing Construction and Shandong Heavy Duty	**192,370**	110,014
Proportion of the Group's ownership interest in Nanjing Construction and Shandong Heavy Duty	**50%**	50%
Carrying amount of the Group's interest in Nanjing Construction And Shandong Heavy Duty	**96,185**	55,007

22. INTERESTS IN JOINT VENTURES *(Continued)*

Information of joint venture that is not individually material

As at 31 December 2015, there is one (2014: nil) other joint venture, namely NJZ USA, that is not individually material to the Group, and the information is as follows:

	2015 RMB'000	2014 RMB'000
The Group's share of profit from continuing operations	253	—

On 6 January 2014, the Group disposed of its 50.01% equity interest in 江蘇省宏晟重工集團有限公司("Jiangsu Hongsheng") to one of the joint venture partners ("Hongsheng JV Partner") in Jiangsu Hongsheng at an agreed price of RMB338,168,000 in exchange for the acquisition of control in three subsidiaries owned by Jiangsu Hongsheng. At the date of disposal, the investment cost in Jiangsu Hongsheng was RMB548,620,000, accumulated share of post-acquisition losses was RMB102,082,000 and the impairment loss was RMB53,000,000. The transaction has resulted in a loss of RMB55,370,000. In addition, the fair value of the consideration for the acquisition of the three subsidiaries is made reference to the fair value of net assets of the three subsidiaries at the dates of their acquisition and resulted in a loss of RMB74,207,000. The aggregate loss of RMB129,577,000 (note 9) as a result of disposing Jiangsu Hongsheng was included in other gain and loss during the year ended 31 December 2014.

23. OTHER RECEIVABLE

	2015 RMB'000	2014 RMB'000
Other receivable	519,874	—

At 31 December 2015, the amount represents an advance made to an insurance company in the PRC, which will mature in 2018, and carries interest at an annualised fixed rate at 6.33% per annum. Interest and the principal amount are repayable at the maturity date. It is stated at amortised cost less impairment, if any, at the end of the reporting period.

24. AVAILABLE-FOR-SALE INVESTMENTS

		2015 RMB'000	2014 RMB'000
Equity securities listed in Hong Kong, at fair value	(1)	**28,414**	49,415
Unlisted equity securities issued by private entities established in the PRC, at cost	(2)	**167,760**	86,276
		196,174	135,691

Notes:

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

In 2013 and 2014, the Group disposed of 92,007,000 and 2,000,000 H shares of Guodian Tech, which had been carried at fair value before disposal.

At 31 December 2015, the balance represents the Group's investment in 50,093,000 H shares of Guodian Tech, in which an aggregate impairment loss of RMB58,989,000 (including RMB36,468,000 cumulative losses previously recognised in other comprehensive income now reclassified to profit or loss) was recognised during the year due to a significant decline in the fair value of the investment below its costs.

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

25. DEPOSIT FOR LAND LEASE

	2015 RMB'000	2014 RMB'000
Deposit for land lease	**191,800**	280,800

The amount represents deposit for land lease paid partly in relation to the acquisition of land leases situated in the PRC and the transfer is subject to the approval of the PRC government. During the year, deposit for land lease amounted to RMB89,000,000 (2014: RMB nil) had been transferred to prepaid lease payments account.

26. DEFERRED TAX

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

	Doubtful debts allowance RMB'000	Inventories allowance RMB'000	Capitalisation of development costs RMB'000 (note)	Withholding tax RMB'000	Deferred income RMB'000	Warranty provision RMB'000	Tax loss RMB'000	Deferred income arising from land resumption RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	(66,154)	(47,902)	49,360	17,199	(20,371)	(8,331)	(69,381)	—	(2,908)	(148,488)
(Credit) charge to profit or loss (note11)	15,051	(3,259)	(9,496)	—	(2,443)	(5,924)	58,132	—	18,316	70,377
At 31 December 2014	(51,103)	(51,161)	39,864	17,199	(22,814)	(14,255)	(11,249)	—	15,408	(78,111)
(Credit) charge to profit or loss (note11)	(13,223)	10,390	(18,694)	15,000	(1,364)	(25,533)	5,274	(76,124)	1,319	(102,955)
At 31 December 2015	**(64,326)**	**(40,771)**	**21,170**	**32,199**	**(24,178)**	**(39,788)**	**(5,975)**	**(76,124)**	**16,727**	**(181,066)**

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

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

	2015 RMB'000	2014 RMB'000
Deferred tax assets	(232,385)	(117,200)
Deferred tax liabilities	51,319	39,089
	(181,066)	(78,111)

At 31 December 2015, the Group has unused tax losses of RMB677,528,000 (2014: RMB722,781,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB23,901,000 (2014: RMB54,231,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB653,626,000 (2014: RMB668,550,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits.

26. DEFERRED TAX *(Continued)*

Under the EIT Law, starting from 1 January 2008, 10% withholding income tax is imposed on dividends relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. Other than the PRC withholding income tax provided in respect of undistributed profits of PRC subsidiaries, no deferred taxation has been provided for the remaining profits of approximately RMB4,798 million as at 31 December 2015 (2014: RMB4,097 million), which was derived from the PRC subsidiaries, as the Group is able to control the timing of the distribution and it is probable that the amount will not be distributed in the foreseeable future. The Group has applied the preferential rate of 5% as all the Company's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong.

27. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	**444,348**	416,731
Work in progress	**647,788**	969,935
Finished goods	**983,103**	888,514
	2,075,239	2,275,180

28. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Accounts receivable	**4,107,314**	3,752,789
Bills receivable	**3,248,346**	3,044,314
Less: allowance for doubtful debts of accounts receivable	**(418,288)**	(301,986)
Total trade receivables	**6,937,372**	6,495,117
Advances to suppliers (note 1)	**1,232,041**	956,639
Value-added tax recoverable	**165,099**	193,809
Other receivables (note 2)	**318,520**	176,449
Less: allowance for doubtful debts of other receivable	**(2,530)**	(2,530)
Total trade and other receivables	**8,650,502**	7,819,484

Note 1: At 31 December 2015, included in the Group's advances to suppliers is RMB95,457,000 (2014: RMB44,211,000) which is prepayment to Nanjing E-crystal Energy Co., Ltd ("Nanjing E-crystal"). And at 31 December 2015 and 31 December 2014, Nanjing E-crystal is a 29.63% owned associate of the Group. The remaining 70.37% equity interest in Nanjing E-crystal is owned beneficially by employees of the Group.

Note 2: At 31 December 2015, included in the Group's other receivables is RMB77,504,000 (2014: nil) which is the consideration for disposal of Nanjing Gaochuan. At 31 December 2014 included in the Group's other receivable was RMB113,000,000 due from the buyer of the 100% equity interest in Rugao Hongmao Steel Co., Ltd. ("Hongmao Steel"), and the amount is fully settled during the current year.

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

	2015 RMB'000	2014 RMB'000
0 - 90 days	**3,991,092**	4,313,551
91 - 120 days	**867,774**	529,655
121 - 180 days	**614,221**	524,310
181 - 365 days	**1,072,427**	719,570
1 - 2 years	**261,436**	377,192
Over 2 years	**130,422**	30,839
	6,937,372	6,495,117

28. TRADE AND OTHER RECEIVABLES *(Continued)*

The trade receivable balances of RMB5,473,087,000 (2014: RMB5,367,516,000) are neither past due nor impaired at the end of the reporting period for which the Group has not provided for impairment loss since they are mainly the customers with good quality. No impairment loss was made on advance to suppliers since they are with good credit quality.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB1,464,285,000 (2014: RMB1,127,601,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable as there are continuing subsequent settlement.

Ageing of trade receivables which are past due but not impaired

	2015 RMB'000	2014 RMB'000
181 - 365 days	**1,072,427**	719,570
1 - 2 years	**261,436**	377,192
Over 2 years	**130,422**	30,839
Total	**1,464,285**	1,127,601

Movement in the allowance for doubtful debts for trade receivables

	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	**301,986**	405,343
Acquisition of subsidiaries	—	436
Impairment losses recognised on trade receivables	**117,418**	36,041
Amounts written off as uncollectible	**(1,116)**	(134,487)
Transfer to assets of a disposal group classified as held for sale	—	(5,347)
Balance at end of the year	**418,288**	301,986

28. TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts for other receivables

	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	**2,530**	2,530
Impairment losses recognised on other receivables	—	—
Balance at end of the year	**2,530**	2,530

Included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB420,818,000(2014: RMB304,516,000) which have either been placed under liquidation or in financial difficulties. The Group does not hold any collateral over these balances.

Transfers of financial assets

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

28. TRADE AND OTHER RECEIVABLES *(Continued)*

Bills receivable endorsed to suppliers with full recourse

	2015 RMB'000	2014 RMB'000
Carrying amount of transferred assets	**40,377**	451,721
Carrying amount of associated liabilities	**(40,377)**	(451,721)
Net position	**—**	—

In addition to the above, as at 31 December 2015, the Group has discounted certain bills receivable to banks and transferred certain bills receivables to its suppliers to settle its payables through endorsing the bills to its suppliers, both with full recourse. The Group has derecognised these bills receivables and the payables to suppliers in their entirety as in the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers under the relevant PRC practice, rule and regulations. In the opinion of the directors of the Company, the Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing bank fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 31 December 2015, the Group's maximum exposure to loss and cash outflow, which is same as the amount payable by the Group to collecting banks or the suppliers in respect of the discounted bills and endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB1,565,639,000 and RMB1,412,911,000, respectively (2014:RMB1,232,000,000 and RMB1,017,139,000,respectively).

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

29. AMOUNTS DUE FROM/TO ASSOCIATES AND PREPAYMENTS TO ASSOCIATE

	2015 RMB'000	2014 RMB'000
Amounts due from:		
Nanjing Longwin Windpower Equipment Manufacturing Co., Ltd.		
("Nanjing Longwin")-prepayment	41,384	28,777
Nanjing E-crystal prepayment	112,928	6,003
Nanjing E-crystal- disposal of property, plant and equipment	226,278	—
Nanjing Gaochuan-prepayment	92,700	—
Suyang Optoelectronics Co., Ltd. - prepayment	4	—
	473,294	34,780
Amount classified to non-current assets	(226,278)	—
	247,016	34,780
Amounts due to:		
Nantong FLW-other payables	1,879	2,091
Zhonghe Tianyou (Shanghai) Industrial Co., Ltd. -trade payables	9	—
Nanjing E-crystal-construction payable	—	93,998
	1,888	96,089

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

30. AMOUNTS DUE FROM/TO JOINT VENTURES

	2015 RMB'000	2014 RMB'000
Amounts due from:		
Nanjing Construction-trade receivables	**13,351**	18,610
Nanjing Construction-dividend receivables	**25,000**	25,000
Shandong Heavy Duty	**919**	919
	39,270	44,529
Amounts due to:		
Nanjing Construction-trade payables	**510**	—

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

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

At the end of the reporting period, structured bank deposits represent foreign currency or interest rate or commodity price linked structured bank deposits ("SBDs") placed by the Group to various banks in the PRC for a term within one year (2014: various banks for a term ranging from one day to 180 days). Pursuant to the relevant underlying agreements, the SBDs carry interest at variable rate per annum with reference to the performance of interest rate or commodity price during the investment period and the principal sums are denominated in RMB and guaranteed by the banks. In the opinion of the directors of the Group, the fair value of embedded derivatives does not have material impacts on the results and financial position of the Group.

At the end of the reporting period, the pledged bank deposits carry fixed interest rate of 2.25% (2014: 2.8%) per annum and are pledged to secure banking facilities (note 41).

At the end of the reporting period, bank balances carry interest at prevailing market deposit rates which range from 0.07% to 0.35% (2014: 0.07% to 0.35%) per annum.

32. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Accounts payable	1,630,110	1,600,661
Notes payable (Note)	3,142,814	1,608,515
Total trade payables	4,772,924	3,209,176
Advances from customers	365,432	373,214
Purchase of property, plant and equipment	160,477	175,289
Payroll and welfare payables	152,200	158,547
Accrued expenses	123,266	197,489
Value-added and other tax payable	50,261	41,663
Deferred income	10,326	11,256
Other payables and payment received from government (see note 52)	773,927	112,520
	6,408,813	4,279,154

Note: Notes payable are secured by certain of the Group's assets, details of which are set out in note 41.

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

	2015 RMB'000	2014 RMB'000
0 - 30 days	1,107,968	966,795
31- 60 days	927,507	637,576
61 - 180 days	2,478,526	1,143,915
181 - 365 days	85,440	345,111
Over 365 days	173,483	115,779
	4,772,924	3,209,176

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

33. BORROWINGS

	2015 RMB'000	2014 RMB'000
Bank loans	**4,809,660**	7,208,671
Short-term unsecured commercial papers (Note 1)	**1,100,000**	800,000
Medium-term notes (Note 2)	**1,000,000**	1,000,000
Private placement bond (Note 3)	**400,000**	800,000
Guaranteed bonds (Note 4)	**256,660**	630,100
Monetary direct financing instruments	**—**	500,000
	7,566,320	10,938,771
Secured	**3,417,865**	3,450,925
Unsecured	**4,148,455**	7,487,846
	7,566,320	10,938,771
Carrying amount repayable*:		
Within one year	**5,618,194**	7,971,209
More than one year, but not exceeding two years	**613,501**	214,337
More than two years, but not more than five years	**1,334,625**	2,753,225
	7,566,320	10,938,771
Less: Amounts due within one year shown under current liabilities	**(5,618,194)**	(7,971,209)
Amounts due over one year	**1,948,126**	2,967,562

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

Note 1: In June 2015, Nanjing Drive, a wholly-owned subsidiary of the Group, issued an unlisted and unsecured short-term commercial paper of RMB300,000,000, which carries an interest rate of 5.68% per annum and shall be repayable in June 2016. In September 2015, Nanjing Drive, a wholly-owned subsidiary of the Group, issued another unlisted and unsecured short-term commercial paper of RMB800,000,000, which carries an interest rate of 4.8% per annum and shall be repayable in July 2016.

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

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

Note 3: In May 2015, Nanjing Drive issued an unlisted and unsecured private placement bond of RMB400,000,000, which carries an interest of 6.6% per annum and shall be repayable in May 2016.

33. BORROWINGS *(Continued)*

Note 4: In November 2014, the Company issued guaranteed bonds(the "Guaranteed Bonds"), which is listed in the Hong Kong Stock Exchange, with a principal amount of RMB650,000,000 bearing interest at the coupon rate of 8.3% per annum, which will mature on 19 November 2017. The Guaranteed Bonds are guaranteed by subsidiaries of the Group, namely Goodgain Group Limited and China Transmission Holdings Limited. During the year, the Group repurchased RMB385,370,000 principal amount of the Bonds.

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

	2015 RMB'000	2014 RMB'000
Fixed-rate borrowings:		
Within one year	**4,825,536**	6,727,841
More than one year	**1,723,160**	2,133,600
	6,548,696	8,861,441

In addition, the Group has variable-rate borrowings of RMB1,017,624,000 (2014: RMB2,077,330,000) which carry interest rates based on the rate of People's Bank of China prescribed interest rate, the HIBOR or the LIBOR.

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

	2015 %	2014 %
Effective interest rate:		
Fixed-rate borrowings	**4.57 – 9.77**	4.73 – 9.77
Variable-rate borrowings	**1.48 – 6.72**	1.41 – 6.72

As at 31 December 2015, the Group's borrowings that are denominated in currencies other than RMB (the functional currency of relevant group entities) are USD72,790,000, and HKD294,456,000, which are equivalent to RMB472,669,000and RMB246,695,000 respectively (2014: USD110,000,000, and HKD587,820,000, which are equivalent to RMB673,090,000 and RMB463,731,000). All other borrowings are denominated in RMB.

The above secured borrowings at the end of the reporting period were secured by pledge of assets, details of which are set out in note 41.

34. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 RMB' 000	2014 RMB' 000
Financial liabilities designated as fair value through profit and loss	**536,982**	320,280
Derivative financial liabilities	**59,674**	6,792
	596,656	327,072

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

35. WARRANTY PROVISION

	RMB' 000
Balance at 1 January 2014	55,542
Acquisition of subsidiary	808
Provided for the year	78,220
Utilised during the year	(34,789)
Balance at 31 December 2014	99,781
Provided for the year	53,236
Utilised during the year	(52,675)
Balance at 31 December 2015	**100,342**

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

36. OBLIGATIONS UNDER FINANCE LEASES

	2015 RMB'000	2014 RMB'000
Analysed for reporting purposes as:		
Current liabilities	**158,556**	167,073
Non-current liabilities	**6,516**	154,559
	165,072	321,632

At 31 December 2015, the balance represents two financial leases entered into in respect of certain property, plant and equipment have terms of 2.5 years and 3 years respectively at their respective inception dates (2014: two finance leases of 2.5years and 3 years respectively). Interest rates are fixed at 9.53% and 5.26% per annum (2014: 9.53% and 6.12% per annum). The Group has option to purchase property, plant and equipment for a notional amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Amounts payable under finance leases within one year	**163,702**	173,276	**158,556**	167,073
In more than one year but not more than two years	**7,290**	164,978	**6,516**	148,692
In more than two years but not more than five years	—	7,280	—	5,867
	170,992	345,534	**165,072**	321,632
Less: future finance charges	**(5,920)**	(23,902)	**N/A**	N/A
Present value of lease obligations	**165,072**	321,632	**165,072**	321,632
Less: Amount due for settlement within 12 month (shown under current liabilities)			**(158,556)**	(167,073)
			6,516	154,559

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

37. DEFERRED INCOME

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

38. SHARE CAPITAL

	Number of shares (in thousand)	Amount USD' 000	Equivalent to RMB' 000
Ordinary shares of USD0.01 each			
Authorised:			
At 1 January 2014, 31 December 2014 and 31 December 2015	3,000,000	30,000	234,033
Issued and fully paid:			
At 1 January 2014, 31 December 2014 and 31 December 2015	1,635,291	16,352	119,218

39. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

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

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

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders to refresh the said limit to not exceed 30% of the issued share capital of the Company from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or any of their associates in excess of 0.1% of the Company's share capital or with a value in excess of HKD 5 million must be approved in advance by the Company's shareholders.

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

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

No share option was granted in 2014 and 2015, and there is no outstanding share options at 31 December 2015 and 31 December 2014.

40. CAPITAL COMMITMENTS

	2015 RMB'000	2014 RMB'000
Commitments contracted for but not provided in the consolidated financial statements in respect of:		
– the acquisition of land leases	83,400	83,400
– the acquisition of property, plant and equipment	209,416	453,065
	292,816	536,465

41. PLEDGE OF ASSETS

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

	2015 RMB'000	2014 RMB'000
Bank deposits	2,403,640	2,756,201
Accounts receivable	596,245	451,271
Bills receivable	960,656	1,196,721
Property, plant and equipment	127,500	66,274
Prepaid lease payments	348,411	25,062
Structured bank deposits	100,000	153,499
	4,536,452	4,649,028

At 31 December 2015 and 31 December 2014, the Group also pledged its 25% equity interest in Nanjing High Speed, a wholly-owned subsidiary, for banking facilities granted to the Group.

42. OPERATING LEASES

Minimum lease payments paid under operating leases during the year:

	2015 RMB'000	2014 RMB'000
Factory and office premises	3,289	10,320

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

	2015 RMB'000	2014 RMB'000
Within one year	3,157	8,384
In the second to fifth year inclusive	794	1,270
	3,951	9,654

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

43. RETIREMENT BENEFIT PLANS

The employees of the PRC subsidiaries are members of a state-managed retirement pension scheme operated by local social security bureaux in the PRC. The PRC subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement pension scheme to fund the benefits. The only obligation of the Group with respect to the retirement pension scheme is to make the specified contributions. The Group also operates a Mandatory Provident Fund Scheme for all employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the scheme, which contribution is matched by the employees. The costs charged to profit or loss during the year were RMB129,636,000 (2014: RMB122,200,000). All the contributions had been paid over to these schemes as at the end of the reporting period.

44. CONTINGENT LIABILITIES

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

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

45. ACQUISITION OF SUBSIDIARIES

Year ended 31 December 2015:

On 18 March 2015, one of the subsidiaries of the Group, 江蘇新貝斯特中傳科技有限公司 New Best Zhong-Chuan Technology Co., Ltd. ("New Best"), in which the Group has 63% equity interest, acquired from an independent third party, 100% equity interest in南京德馬斯賓納數控機床有限公司 Nanjing Tema Spinner Digital Control Equipment Manufacturing Co., Ltd. ("Nanjing Tema"). Nanjing Tema is principally engaged in the provision of digital control equipment maintenance services and was acquired so as to continue the expansion of the Group's activities on digital control equipment.

Year ended 31 December 2014:

As part of the disposal of joint venture as detailed in Note 22, on 6 January 2014, the Group acquired from Jiangsu Hongsheng, which was a former joint venture of the Group, 100% equity interest in 如皋市宏茂廢舊金屬回收有限公司 Rugao Hongmao Obsolete Metal Recycling Co., Ltd. ("Rugao Hongmao"), 95% equity interest in 南通市振華宏晟重型鍛壓有限公司 Nantong Zhenhua Hongsheng Heavy Metal Forging Co., Ltd. ("Nantong Zhenhua") and 100% equity interest in 如皋市宏茂鑄鋼有限公司 Rugao Hongmao Steel Co., Ltd. ("Hongmao Steel"). Rugao Hongmao is principally engaged in the recycling and sales of steel scrap. Nantong Zhenhua is principally engaged in the steel forging. Hongmao Steel is principally engaged in the manufacturing and sales of steel ingot. The subsidiaries were acquired with the objective of rationalising the Group's purchase of raw materials.

45. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2014: *(Continued)*

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

Consideration transferred

	2015 RMB'000	2014 RMB'000
Consideration paid/payable on acquisition of subsidiaries	**500**	171,376

Assets and liabilities recognised at the date of acquisition

	2015 RMB'000	2014 RMB'000
Current assets		
Bank and cash balances	**69**	60,790
Inventories	**3,622**	179,386
Trade and other receivables	**1,648**	448,678
	5,339	688,854
Non-current assets		
Property, plant and equipment	—	433,608
Prepaid lease payments	—	23,395
	—	457,003
Current liabilities		
Trade and other payables	**(4,870)**	(668,651)
Tax liabilities	—	(1,492)
Borrowings	—	(290,000)
	(4,870)	(960,143)
	469	185,714

45. ACQUISITION OF SUBSIDIARIES *(Continued)*

Non-controlling interests

Year ended 31 December 2015:

The non-controlling interest (37%) in Nanjing Tema recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Nanjing Tema and amounted to approximately RMB31,000.

Year ended 31 December 2014:

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

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

Goodwill arising on acquisition

	2015 RMB'000	2014 RMB'000
Consideration transferred	500	171,376
Plus: Non-controlling interests	(31)	11,391
Less: Recognised amount of identifiable net assets acquired	(469)	(185,714)
Goodwill arising on acquisition (Bargain purchase consideration)	—	(2,947)

45. ACQUISITION OF SUBSIDIARIES *(Continued)*

Net cash inflow arising an acquisition

Year ended 31 December 2015:

	RMB'000
Consideration payable on acquisition of a subsidiary	500
Setoff of an amount receivable to the former shareholder	(500)
Less: cash and cash equivalent balances acquired	69
	69

Year ended 31 December 2014:

	RMB'000
Consideration receivable on disposal of Jiangsu Hongsheng (note 22)	338,168
Consideration payable on acquisition of Rugao Hongmao, Nantong Zhenhua and Hongmao Steel	(167,876)
Fair value loss on acquisition of subsidiaries (note 22)	(74,207)
Amount payable to the former joint venture	(96,085)
Consideration paid in cash for Jingze Lighting and Jingze Lighting Engineering	(3,500)
Less: cash and cash equivalent balances acquired	60,790
	57,290

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2015 is RMB28,000 loss attributable to Nanjing Tema. Revenue for year includes RMB7,179,000 is attributable to Nanjing Tema.

Had the acquisition been completed on 1 January 2015, total group revenue for the year would have been RMB9,853 million, and profit for the year would have been RMB1,006 million.

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

46. DISPOSAL OF SUBSIDIARIES

(i) As detailed in note 16, pursuant to the Zhong-Chuan Disposal Agreement, the Group disposed 60% equity interest in Zhong-Chuan and 100% equity interest in Nanjiang Gaote for a total consideration of RMB450 million and the Purchaser also repaid trade debts of RMB1,000 million owed by Zhong-Chuan and Nanjng Gaote to the Group. After the disposal, the Group retains 8% equity interest in Zhong-Chuan and is accounted for as an available-for-sale equity investment. As part of the arrangement, the Group retains the 50% equity interest in Shandong Heavy Duty previously owned by Zhong-Chuan at a consideration of RMB28,500,000 and Shandong Heavy Duty remains as a joint venture of the Group.

(ii) During the year, the Group entered into agreement to withdraw its investment in Tianjin Aokai Laser Technology Co., Ltd ("Tianjin Aokai"). The withdrawal was completed on 17 March 2015, on which date the Group lost control of Tianjin Aokai.

(iii) On 24 December 2015, China Transmission Holdings Limited, a subsidiary of the Group, entered into an agreement (the "Nanjing Gaochuan Disposal Agreement") with Decan New Energy (as defined in note 14, and which is wholly owned by Mr. Liao Enrong, who is the executive director of the Company) to dispose of the Group's 83.61% equity interest in Nanjing Gaochuan (as defined in note 4) at a total consideration of RMB77,504,000. Details of the disposal are set out in the Company's announcement dated 24 December 2015. Before the disposal, Nanjing Gaochuan owned 100% interest in several subsidiaries and a 53.04% equity interests in Tianjin Chuanzai, (These entities together with Nanjing Gaochuan are hereinafter referred to as the "Nanjing Gaochuan Group"). The remaining 46.96% equity interest in Tianjin Chuanzai is owned by China Transmission Holdings Limited. The Nanjing Gaochuan Disposal Agreement is unconditioned and the disposal of Nanjing Gaochuan was completed on 29 December 2015, on which date the Group lost control of Nanjing Gaochuan. Pursuant to the Nanjing Gaochuan Disposal Agreement, the Group's retained 16.39% interest in Nanjing Gaochuan is recognised as interest in associate. On 30 December 2015, Decan New Energy introduced new investor to inject further capital in Nanjing Gaochuan. The Group's interests in Nanjing Gaochuan was reduced to 10% after the capital injection. The decrease from 16.39% to 10% is treated as a deemed disposal and the resulting gain or loss on this deemed disposal is insignificant. The Group has significant influence over Nanjing Gaochuan by virtue of the contractual right to appoint one out of the five directors to the board of directors of Nanjing Gaochuan. As explained above, pursuant to the terms of the agreement governing the disposal of Nanjing Gaochuan, the Group disposed 53.04% equity interest in Tianjin Chuanzai, which was previously a 100% indirectly owned subsidiary of the Group. After the disposal of Nanjing Gaochuan Group, the Group retained 46.96% in Tianjin Chuanzai and the control of Tianjin Chuanzai as the Group has the power to appoint and remove the majority of the board of directors and has the power to direct the relevant activated of Tianjin Chuanzai. At 31 December 2015, the Group recognised a non-controlling interests of RMB97,209,000 representing the interests of non-controlling interests in Tianjin Chuanzai.

46. DISPOSAL OF SUBSIDIARIES *(Continued)*

The net assets of Zhong-Chuan, Nanjing Gaote and their subsidiaries (the "ZC Disposal Group"), Tianjin Aokai and Nanjing Gaochuan Group at the date of disposal and the resulting gain on disposal recognised were as follows:

	The ZC Disposal Group RMB'000	Tianjin Aokai RMB'000	Nanjing Gaochuan Group RMB'000	Total RMB'000
Bank balances and cash	16,301	3,963	1,055	21,319
Pledged bank deposits	19,071	—	—	19,071
Trade and other receivables	128,739	2,100	331,293	462,132
Inventories	219,314	11	29,954	249,279
Interest in an associate	800	—	97,550	98,350
Property, plant and equipment	1,013,994	8,256	51,029	1,073,279
Prepaid lease payments	437,508	—	—	437,508
Intangible assets	5,561	—	328	5,889
Trade and other payables	(1,361,450)	(1,848)	(247,898)	(1,611,196)
Borrowings	(65,504)	—	(199,500)	(265,004)
Net assets disposed of, excluding the joint venture retained	414,334	12,482	63,811	490,627
Non-controlling interests	(27,114)	(5,924)	—	(33,038)
Gain (loss) on disposal recognised and charged to profit or loss	54,280	(744)	28,886	82,422
Cash consideration excluding joint venture retained	421,500	5,814	77,504	504,818
Fair value of the investment retained	20,000	—	15,193	35,193
Satisfied by:				
Cash	421,500	—	—	421,500
Deferred cash consideration	—	5,814	77,504	83,318
	421,500	5,814	77,504 (note)	504,818
Net cash outflow arising on disposal:				
Total cash consideration received	421,500	—	—	421,500
Bank balances and cash disposed of	(16,301)	(3,963)	(1,055)	(21,319)
	405,199	(3,963)	(1,055)	400,181

46. DISPOSAL OF SUBSIDIARIES *(Continued)*

Note: Pursuant to the relevant agreements, out of the total RMB77,504,000, the Group has received the 20% of consideration for disposal of Nanjing Gaochuan Group subsequent to the end of the reporting period, the remaining deferred consideration will be settled by Decan New Energy on or before 30 April 2016.

47. MAJOR NON-CASH TRANSACTIONS

In 2014, the Group entered into an agreement to dispose of its 100% equity interest in Hongmao Steel to an unrelated third party. Pursuant to the relevant agreements, the deferred consideration of RMB113 million, which is unsecured and interest free, was included under trade and other receivables in the consolidated statement of financial position at 31 December 2014.

48. RELATED PARTY DISCLOSURES

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

(I) Related party transactions

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

Name of company	Relationship	Nature of transactions	2015 RMB'000	2014 RMB'000
Nanjing Longwin	Associate	Purchase of goods	72,481	97,838
Nanjing Construction	Joint venture	Sales of goods	22,147	33,502
		Purchase of goods	355	463
		Rental income	331	331
		Service income	—	73
		Utility charge income	98	91
Nantong FLW	Associate	Technology development Income	236	—
E-crystal	Associate	Purchase of goods	24,796	6,482
		Rental income	15,694	12,824
		Sales of property, plant and equipment	193,385	—
Shandong Heavy Duty	Joint venture	Sales of goods	9,419	16,270
		Purchase of goods	3,083	—
Zhonghe Tianyou (Shanghai). Industrial Co., Ltd	Associate	Purchase of goods	9	—
Nanjing Yuhuatai District Saihong Bridge Office 南京雨花臺賽虹橋街道辦事處	Holding company of a non-controlling shareholder of a subsidiary	Rental expenses	1,031	1,206

48. RELATED PARTY DISCLOSURES *(Continued)*

(II) Compensation of key management personnel

Other than the emolument paid to the directors of the Company, who are also considered as the key management of the Group as set out in note 14, the Group did not have any other significant compensation to key management personnel.

49. RESTATEMENT OF COMPARATIVE FIGURES

During the year, certain comparative figures in respect of the year ended 31 December 2014 have been reclassified to conform with the current period presentation.

50. FINANCIAL INFORMATION OF THE COMPANY

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**5,383,515**	5,646,503
Property, plant and equipment	**3**	2
Available-for-sale investments	**28,414**	49,415
	5,411,932	5,695,920
CURRENT ASSETS		
Trade and other receivables	**64,926**	57,015
Bank balances and cash	**16,253**	206,277
	81,179	263,292
CURRENT LIABILITIES		
Trade and other payables	**2,734**	9,579
Amounts due to subsidiaries	**9,000**	8,835
Borrowings	**256,660**	823,381
	268,394	841,795
	5,224,717	5,117,417
CAPITAL AND RESERVES		
Share capital	**119,218**	119,218
Reserves	**5,105,499**	4,998,199
	5,224,717	5,117,417

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

Movement in reserves

	Share premium RMB'000	Deemed capital contribution reserve RMB'000	Investment revaluation reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014	5,010,141	77,651	(9,446)	(1,529)	(8,685)	4,242,307
Loss for the year	—	—	—	—	(44,440)	(44,440)
Other comprehensive expense for the year	—	—	(27,022)	1,529	—	(25,493)
Total comprehensive (expense) income for the year	—	—	(27,022)	1,529	(44,440)	(69,933)
At 31 December 2014	5,010,141	77,651	(36,468)	—	(53,125)	4,998,199
Profit for the year	—	—	—	—	70,832	70,832
Other comprehensive income for the year	—	—	36,468	—	—	36,468
Total comprehensive income for the year	—	—	36,468	—	70,832	107,300
At 31 December 2015	**5,010,141**	**77,651**	—	—	**17,707**	**5,105,499**

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's material subsidiaries at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment/operation	Issued and fully paid share capital/ registered capital	Equity interest indirectly held by the Company		Principal activities
			2015 %	2014 %	
Nanjing High Speed & Accurate Gear (Group) Co., Ltd. (3) 南京高精齒輪集團有限公司	PRC 16 August 2001	RMB693,800,000	**100**	100	Manufacture and sales of gear, gear box and fittings
Nanjing High Speed Gear Manufacturing Co., Ltd. (2) 南京高速齒輪製造有限公司	PRC 8 July 2003	RMB2,000,000,000	**100**	100	Manufacture and sales of gear, gear box and fittings
Nanjing Ningkai Mechanical Co., Ltd. (2) 南京寧凱機械有限公司	PRC 19 November 2002	RMB41,077,000	**85.83**	85.83	Engineering processing and manufacturing
Nanjing High Accurate Marine Equipment Co., Ltd. (2) 南京高精船用設備有限公司	PRC 2 February 2007	RMB500,000,000	**100**	100	Manufacture and sales of gear, gear box and fittings
Nanjing Ninghongjian Mechanical Co., Ltd. (2) 南京寧宏建機械有限公司	PRC 15 March 2007	RMB20,000,000	**100**	100	Engineering processing and manufacturing
Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. (1) 南京高精傳動設備製造集團有限公司	PRC 27 March 2007	USD448,300,000	**100**	100	Manufacture and sales of gear box and fittings
Nanjing Zhong-Chuan Shipping Drive Equipment Co., Ltd. (3) 南京中傳船舶設備有限公司	PRC 10 June 2008	USD 45,600,000	**100**	100	Manufacture and sales of shipping drive equipment
CHSTE (Beijing) Shougao Metallurgical Engineering & Equipment Co., Ltd. (2) 北京中傳首高冶金成套設備有限公司	PRC 25 April 2008	RMB30,000,000	**75**	75	Metallurgical engineering and manufacturing
Nantong Diesel Engine Co., Ltd. (2) 南通柴油機股份有限公司	PRC 27 November 1993	RMB300,000,000	**89.36**	89.36	Manufacture and sales of diesel engines

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

Name of subsidiary	Place and date of incorporation/ establishment/operation	Issued and fully paid share capital/ registered capital	Equity interest indirectly held by the Company 2015 %	Equity interest indirectly held by the Company 2014 %	Principal activities
Nanjing Gaochuan Sky Digital Control Equipment Manufacturing Co., Ltd. (2) 南京高傳四開數控裝備製造有限公司	PRC 27 February 1993	RMB26,000,000	**99.16**	99.16	Engineering processing and manufacturing
Zhenjiang Tongzhou Propeller Co., Ltd (2) 鎮江同舟螺旋漿有限公司	PRC 24 November 2005	RMB50,000,000	**76.33**	76.33	Manufacture and sales of propellers
Zhong-Chuan Heavy Duty Machine Tool Corporation Ltd. (3) 中傳重型機床有限公司	PRC 11 October 2010	USD44,200,000	**90**	90	Manufacture and sales of heavy duty machine tools
AE&E Nanjing Boiler Co., Ltd. (3) 南京奧能鍋爐有限公司	PRC 25 January 1991	RMB128,824,800	**90**	90	Manufacture and sales of industrial boilers, heat recovery equipment and related products
New Best Zhong-Chuan Technology Co., Ltd. (2) 江蘇新貝斯特中傳科技有限公司	PRC 27 December 2011	RMB200,000,000	**63**	63	Manufacture and sales of machine tools
Nanjing Jingjing Photoelectric Science & Technology Co. Ltd (2) 南京京晶光電科技有限公司	PRC 15 March 2012	RMB300,000,000	**100**	100	Manufacture and sales of LED products
Nanjing Handa Import and Export Trading Co., Ltd. (2) 南京翰達進出口貿易有限公司	PRC 25 April 2012	RMB41,000,000	**100**	100	Trading business
China Transmission Holdings Limited 中傳控股有限公司	Hong Kong 7 November 2007	HKD100	**100**	100	Investment holding

The above table lists the 17 subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

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

Principal activities	Principal place of business	Number of subsidiaries	
		31/12/2015	31/12/2014
Production and after sale service of wind gear transmission equipment	USA	**2**	2
	Canada	**1**	1
	Germany	**1**	1
	Singapore	**2**	2
Manufacture and sales of marine gear transmission equipment	Singapore	**1**	1
Manufacture and sales of computer numerical controlled ("CNC") machine tool products	PRC	**4**	4
Manufacture and sales of traditional and other transmission products	PRC	**11**	11
Manufacture and sales of LED products	PRC	**2**	3
Investment holding	British Virgin Island	**2**	2
	Hong Kong	**2**	2
Manufacture and sales of mechanical and electrical equipment and automatic control systems	PRC	**—**	18
		28	47

At 31 December 2015, the Group has 45 (2014: 68) subsidiaries, in which 19 (2014:38) subsidiaries are wholly-owned by the Group.

Notes:

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

(2) Domestic enterprise established in the PRC

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

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

Details of non-wholly owned subsidiaries that have material non-controlling interests

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
				RMB'000	RMB'000	RMB'000	RMB'000
Tianjin Chuanzai	PRC	53.04%	nil	—	—	97,209	—
Individually immaterial subsidiaries with non-controlling interests						118,427	181,731
						215,636	181,731

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

Tianjin Chuanzai

	31/12/2015 RMB'000
Current assets	184,758
Non-current assets	—
Current liabilities	(1,486)
Non-current liabilities	—
Equity attributable to owners of the Company	86,063
Non-controlling interests	97,209

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

Tianjin Chuanza *(Continued)*

	Year ended 31/12/2015 RMB'000
Revenue	—
Expenses	(302)
Profit for the year	5
Profit attributable to owners of the Company	5
Profit attributable to the non-controlling interests	—
Profit for the year	5
Other comprehensive income attributable to owners of the Company	—
Other comprehensive income attributable to the non-controlling interests	—
Other comprehensive income for the year	—
Total comprehensive income attributable to owners of the Company	5
Total comprehensive income attributable to the non-controlling interests	—
Total comprehensive income for the year	5
Dividends paid to non-controlling interests	—
Net cash outflow from operating activities	(873)
Net cash outflow from investing activities	—
Net cash inflow from financing activities	—
Net cash inflow (outflow)	(873)

52. OTHER MATTER

On 14 March 2015, Nanjing High Speed entered into an agreement (the "Land Resumption Agreement") with the local district government of Jiangning (the "Jiangning Govenment"). Pursuant to the Land Resumption Agreement, Nanjing High Speed will return and the Jiangning Government will resume the land (together as the "Land Resumption") on which one of the plants currently owned by Nanjing High Speed is located (the "Resumed Land") by the end of 2016 in consideration for amount of RMB1.3 billion payable by the Jiangning Government to the Group. The amount will be payable by three instalments, with the first instalment of RMB300 million payable on or before 25 March 2015, the second instalment of RMB400 million payable on or before 30 September 2015, and the last instalment of RMB600 million payable when the Resumed Land is successfully sold by auction, subsequent to the resumption by the Jiangning Government.

During the year, the Group collected an aggregate RMB700 million from the Jiangning Government, representing the full amount of the first instalment and the second instalment. The RMB700 million is principally to compensate for the costs incurred in relation to and as a result of the Land Resumption and is accounted for as government grant for compensation of expenses or losses. During the year ended 31 December 2015, the Group in accordance with the Group's accounting policy recognised and released RMB193 million against costs incurred in relation to the Land Resumption. At 31 December 2015, the balance of the RMB507 million is recorded as other payables in note 32.

	RMB'000
Receipt from the Jiangning Government	700,000
Release and credited to related costs during the year	(192,505)
Balance at 31 December 2015	507,495